Annual Trends Report

BEYOND GLOBAL POLARIZATION: NEW COOPERATION WANTED

Foreword by **Karim El Aynaoui, Paolo Magri, Samir Saran**

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Annual Trends Report
Beyond Global Polarization: New Cooperation Wanted

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Foreword

In 2025, the global landscape became increasingly fragmented and uncertain. Great power competition intensified, regional conflicts became protracted and exacerbated, while economic nationalism reshaped the rules of trade and development. The mechanisms for conflict resolution and cooperation that have long provided a foundation for international cooperation are now under strain due to polarization and mistrust. Even longstanding alliances, bilateral and collective security architectures at the core of international security system have not escaped these changes. While some attribute these trends to the emergence of a multipolar world order, there is no consensus whether such a transformation is occurring or on the causal link. There is agreement only on the notion that the world is moving beyond the post-cold war order and that, eighty years after the creation of the UN, institutional reform is overdue.

Yet while these challenges and the erosion of traditional mechanisms of cooperation understandably dominate the attention of the public, policymakers and the expert community, they do not tell the whole story. Amidst polarization, unilateral policies and growing calls by political leaders to adopt inward-looking policies, new and pragmatic forms of cooperation are emerging. By keeping sight of the shared interest in coordinating responses to global challenges, these efforts are, in effect, transcending some of the existing divides between nations of the North and the South. They therefore might merit recognition and sustained support, not only for their potential transformative impact but also for the message they convey: that alternative pathways are possible! It is the ultimate acknowledgement that living in a world where an increasing diversity of political, economic, and social models coexists and where differing visions of governance and development are put forward comes with difficulties. Yet this very reality also offers a great opportunity: plurality is key to finding appropriate responses to emerging challenges.

It is in that spirit that leaders and experts from over 100 countries convened in February 2025 for the AI Action Summit. The summit highlighted innovation, real-world applications, and economic prospects of AI, while also addressing wider risks. The signing by 58 nations, including Morocco, India and Italy, and various international organizations of the Statement on Inclusive and Sustainable Artificial Intelligence for People and the Planet demonstrates that a core group of countries willing to mutualize their efforts is emerging.

On the war in Gaza, the High-level International Conference for the Peaceful Settlement of the Question of Palestine and Implementation of the Two-State Solution, held in July, showed that many nations were eager to move past the deadlock in the UN Security Council and take collective action to end the war and discuss the contours of a comprehensive peace plan for the region, before the Gaza Peace Plan was signed by the parties and endorsed by the UN Security Council in early October. The New York Declaration, which is the outcome document of the July conference, was endorsed by 142 nations when they voted in favor of a UN General Assembly resolution backing the document. This stands as a reminder that coalitions can be formed across traditional divides. It is also a testament that when political will converges, pragmatic partnerships can emerge that transcend national interests, regional rivalries, or historical grievances. Unfortunately, at the moment a similar convergence has not yet fully materialized on the Russo-Ukrainian war.

Similarly, on the economic front, at a time when protectionism and economic nationalism seem to dominate the global narrative, it is important to recognize that new avenues for economic cooperation are also developing, as is the case for the Future of Investment and Trade Partnership (FITP), which brings together 14 small and medium-sized economies to support open and rules-based global trade.

In sum, these efforts matter not only because they push back against the perception of an inevitable slide into isolationism or polarization into opposite camps at the international level, but also because they concretely demonstrate that pragmatic alliances that include diverse nations are still possible. Even when they operate outside traditional frameworks, such initiatives serve the broader global public interest by keeping channels of cooperation open. What stands out in these initiatives is the imagination behind them: a willingness to adapt, to experiment, and to work together in spite of differences. They reflect a simple truth: the challenges we face are shared, and the responses will only be effective if they are coordinated.

This belief is at the heart of the partnership between the Policy Center for the New South (PCNS, Morocco), the Italian Institute for International Political Studies (ISPI), and the Observer Research Foundation (ORF, India). Our three institutions coordinate a partnership that extends across regions, disciplines, and perspectives. The tripartite initiative that we launched in 2023 frames our strategic deliberations and engagement. It is an avenue for over 400 experts from three continents to meet, exchange, conduct research, and disseminate findings and cross-perspectives. One of the outputs of this joint research, the Annual Trends report, today in its third edition, seeks to provide a forward-looking analysis of global developments, to highlight areas where cooperation is possible, and to contribute ideas for a more inclusive and resilient international order.

This edition explores five key areas: global governance, security, the economy and development, energy and climate, and new technologies and the digital transition, underscoring that in a polarized world where blame and scapegoating consume valuable time, genuine progress depends on constructive engagement that brings together willing partners across regions to move beyond confrontation and build practical paths toward cooperation.

At the same time, even as new initiatives and partnerships take shape, this should not lead us to abandon the frameworks that have long underpinned international cooperation. Reforms are necessary, but they must not serve as an excuse to neglect the preservation of global public goods. These institutions remain the pillars that make cooperation possible, and investing in them is essential if we are to turn shared challenges into shared solutions.

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Global Governance

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Revitalizing International Cooperation in a Fragmented World

by **Ferid Belhaj**

The global system is no longer shaped by shared rules or universal institutions. It is defined increasingly by strategic fragmentation, reactive policymaking, and the erosion of collective legitimacy. From the paralysis of the United Nations Security Council to the reconfiguration of development finance, international cooperation is drifting. But it is not directionless. What is emerging is a new era of pragmatic engagement, rooted in power, interest, and context.

Beyond Global Polarization: New Cooperation Wanted is a timely call for international cooperation to be rethought. Any serious attempt to revitalize global governance must begin with a clear-eyed acceptance of today's political landscape. Sovereignty, leverage, and strategic autonomy have returned as core drivers of behavior. Universalism has given way to pluralism; multilateralism to modularism.

Ferid Belhaj, Senior Fellow, PCNS.

As Hans Morgenthau famously warned, international politics is not governed by morality but by national interest[1]. Any viable form of cooperation must now be rebuilt on realist foundations. Cooperation is not obsolete but it needs a new architecture.

Global Norms No Longer Guide Behavior

The normative framework that defined the post-1945 international order is in disrepair. Multilateral institutions that once claimed global legitimacy are struggling to remain operational. The UN Security Council is locked in veto politics. The International Monetary Fund and World Bank are viewed across much of the Global South as instruments of asymmetrical influence[2].

Different responses expose the selective logic of global governance. The war in Ukraine prompted swift international action, while decades of UN resolutions on Palestine remain unenforced[3]. The International Court of Justice (ICJ) and International Criminal Court (ICC) tend to pursue accountability when enforcement is politically feasible, yet their rulings on Palestine, and the ICC's move toward an indictment of Netanyahu, show that international justice can still press against the boundaries of power[4].

These inconsistencies have undermined the credibility of international law and cooperation. Across many regions, multilateralism is now seen as a diplomatic theater, valuable only when it produces resources or shields sovereignty.

As Thucydides summarized centuries ago in the Melian Dialogue: "*The strong do what they can; the weak suffer what they must*"[5]. That line still defines much of today's international behavior.

Realism as a Path to New Cooperation

Realism does not oppose cooperation. It explains how cooperation happens, under what constraints, and for whose benefit. States act when cooperation serves their strategic interest, not when institutions or norms demand it.

John Mearsheimer argued that institutions function best when they reflect existing power structures[6]. Raymond Aron similarly emphasized that sustainable international cooperation stems from aligned national interests, not moral convergence[7].

Barry Buzan noted that institutions can endure when they deliver practical value and adapt to the realities of a multipolar world[8].

In an era of fragmentation, the path forward lies in:

- Aligning cooperation with interest, not ideology.
- Prioritizing results, not process.
- Empowering regional leadership, not enforcing global templates.
- Embracing institutional flexibility, not rigid mandates.

The world no longer tolerates uniform governance. It demands cooperation that respects diversity, autonomy, and power asymmetry.

The Mediterranean: Fragmentation in Action

The Mediterranean region illustrates how normative frameworks have failed to keep pace with strategic behavior.

The European Union's policies on migration from North Africa, framed as partnerships, often operate as externalization mechanisms. Deals with states are built around deterrence rather than shared responsibility. Institutions such as the Union for the Mediterranean remain marginal actors. What persists are *ad-hoc* agreements, conditional funding, and short-term interests.

In Libya, the situation is stark. Global and regional powers, including Russia, Turkey, France, and the UAE, support opposing factions, each pursuing its own strategic goals. The UN peace process operates in parallel but lacks enforcement and leverage[9]. Real diplomacy occurs elsewhere: in energy contracts, security pacts, and arms deals.

The region does not lack cooperation; it lacks coherent, rule-based cooperation. Actors pursue their aims through direct engagement, informal channels, and power-driven bargains. This is realism at work: fragmented but functional.

MENA and Southeast Asia: Strategic Autonomy Over Normative Alignment

Across the Middle East and North Africa, sovereignty is increasingly the foundation of external engagement. Formal institutions exist, but informal alignments and regional balancing acts shape decision-making.

In Iraq, governance functions under a complex web of U.S. and Iranian influence, alongside entrenched sectarian dynamics[10]. The state persists, but authority flows through competing informal channels and negotiated coexistence.

In Lebanon, the two-year presidential vacuum ended in early 2025 with the election of General Joseph Aoun, backed by a fragile coalition of international and domestic actors. A new cabinet was swiftly formed and a new army chief appointed, signaling an attempt to recentralize authority[11]. Yet doubts remain. The deeper fault lines—elite capture, economic implosion, Hezbollah's parallel power—have not been resolved. The new leadership may bring procedural stability, but the country's institutional recovery remains uncertain, and is contingent on broader shifts in the regional balance of power.

By contrast, Indonesia offers a model of multipolar strategic autonomy. Jakarta maintains strong ties with China on trade and infrastructure, while simultaneously deepening defense partnerships with the U.S., Japan, and Australia[12]. Its choices are guided less by ideology than by pragmatism and national interest. At the same time, internal political strife and strains on governance reveal vulnerabilities that could complicate Jakarta's external balancing act. Nevertheless, through its promotion of the ASEAN Outlook on the Indo-Pacific, Indonesia underscores a vision of regional pluralism and inclusive cooperation, reminding us that even amid domestic turbulence, it remains a pivotal actor and a potential model for navigating a post-polarization world.

Africa: A Multipolar Arena of Strategic Engagement

Africa is at the center of a quiet but decisive rebalancing of international cooperation.

The African Union (AU) remains a symbolic unifier but lacks enforcement capacity. Its mediation roles in Ethiopia and Sudan have highlighted both its credibility and its institutional limitations[13].

Meanwhile, major powers are deepening bilateral and regional engagement:

- China's Belt and Road Initiative finances large-scale infrastructure without conditionality[14].
- Russia offers military cooperation to Sahelian regimes outside traditional governance frameworks[15].
- Gulf states, particularly the UAE and Saudi Arabia, are investing in logistics, ports, and agri-food systems across East and West Africa[16].

African states themselves are asserting regional autonomy. Platforms including the Economic Community of West African States, the Southern African Development Community, and the Intergovernmental Authority on Development (East Africa) have become major players in conflict management and development. These actors operate on realist terms: they act when interests converge and tools exist.

Africa is not resisting global cooperation—it is redefining it. Engagement is increasingly based on delivery, diplomatic options, and sovereignty-first thinking.

The Architecture of Realist Cooperation

Revitalizing global cooperation requires a break from universal templates. The world's complexity demands flexible frameworks that deliver results.

Four principles should guide this redesign:

1. Build coalitions around shared goals, not normative values. Whether on climate, energy, or migration, issue-specific alliances will outperform all-encompassing treaties.
2. Support regional leadership. Cooperation becomes sustainable when led by actors that understand context and are invested in outcomes.
3. Use modular instruments. Climate transition funds, digital infrastructure guarantees, and food security pacts should be co-created with recipients, not imposed by donors.
4. Evaluate legitimacy by results. A functioning port, energy corridor, or climate resilience platform offers more legitimacy than a deadlocked convention.

This model does not reject governance. It adapts it to meet current geopolitical conditions.

Conclusion: Cooperation on Realist Terms

Beyond Global Polarization marks a turning point in global discourse. But polarization cannot be overcome by idealism alone. Governance must match the world's complexity. Cooperation will not emerge from declarations or norms. Rather, it will emerge from strategic alignment, reciprocity, and functional autonomy.

Realism does not diminish the value of cooperation. It explains how to achieve it in a divided world.

The future lies in results-driven, regionally anchored, and interest-based governance. Global legitimacy will be earned through delivery, not virtue. As Morgenthau reminded us, politics is the art of the possible[17].

Now more than ever, we must make cooperation possible—but on realist terms.

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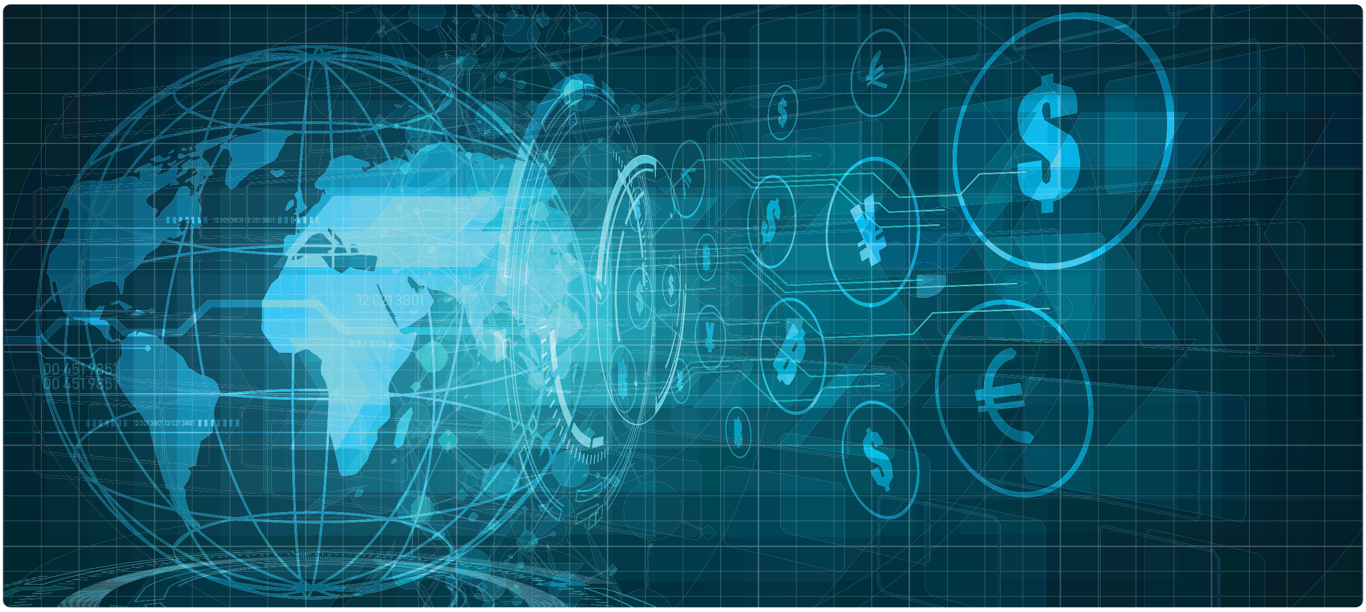

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The Crumbling of Multilateralism is Straining Global Finance

by **Franco Bruni**

Geopolitical tensions inevitably leave their mark on financial markets, currencies, and central banks. In terms of direct effect, they can spark panic among investors and intermediaries, which at times can escalate into full-blown financial crises. Indirectly, they make it harder to address the structural challenges of money and finance, leaving the system more vulnerable to crises that in themselves have nothing to do with geopolitics.

Over the long run, the indirect financial effects of geopolitical tensions matter most. The international monetary and financial system suffers from structural weaknesses that, if left unaddressed, will gradually erode its resilience. This fragility leaves it exposed even to local shocks, which globalized finance then amplifies and transmits across borders, turning micro-crises into global macro-crises. What happened with Lehman Brothers in 2008 was

Franco Bruni, President, ISPI.

an example of this. The reforms needed to fix these flaws require international cooperation, which has become increasingly elusive in today's geopolitical climate, in which rules, multilateralism, and global institutions are being eroded.

What, then, are the pressing problems global finance must face?

The list is long. At the top is a paradox, the downside of a positive achievement: financial globalization. The dense and growing interconnections between markets and intermediaries worldwide have made the system both stronger and more fragile. Unlike trade globalization, which slowed and even slightly reversed after the 2008–09 crisis, financial globalization hardly paused. It has expanded funding opportunities and improved the global allocation of resources, boosting productivity. But without adequate, globally coordinated regulation, it risks fueling speculation and disorder, resulting in misallocation of resources, depressed productivity, and local shocks. In 2008, finance turned what might have remained a localized housing slump in parts of the United States into a devastating global economic and financial shock. The regulatory and supervisory weaknesses exposed then were only partly addressed. Closing those gaps remains the first task that a less conflict-ridden world should take on.

The urgency has only grown with the rapid digitalization of finance, payments, and the circulation of money and securities. Even in less-developed economies, digitalization is advancing fast. A United Nations index measuring the rollout of digital payments infrastructure (measuring how much of a country's population and economy is able to use, access, and support digital payments infrastructure) has risen from 58% in 2019 to over 70% worldwide, and from 35% in 2021 to nearly 50% among the least-developed countries. International transactions have never been faster, but to be beneficial this requires well-coordinated global rules and conventions. Yet the world, preoccupied with tariff wars and avoiding military conflict, largely ignores these urgently needed reforms.

Digitalization is not the only area crying out for harmonization. Regulation and supervision of banks, non-bank intermediaries, and stock exchanges remain highly fragmented, even in jurisdictions where financial services are most integrated, such as the United States, the United Kingdom, and the European Union.

A deep, globally coordinated overhaul of banking regulation and digital finance is thus urgently needed. Distributed ledger technologies, digital assets, and central bank digital currencies are reshaping the traditional role of deposit banks. As they are disintermediated, banks are pushed toward funding models that increasingly resemble those of non-banks, which face lighter regulation. Without swift international action, the sector could become destabilized by chaotic competition and unregulated innovation. Or it could suffocate amid narrow national regulations that stifle innovation's global potential. Either way, businesses, households, productivity, and growth would pay the price.

Geopolitical tensions and erratic U.S. policy also directly affect another area in which cooperation is vital: the weakening of the dollar's role and declining confidence in U.S. capital markets, long indispensable to global trade and finance. Over time, such a shift is probably inevitable as the world economy becomes more multipolar. The logical response is clear: accelerate the development and adoption of international payment systems, pricing benchmarks, and securities denominations that are not tied to any single country but are overseen by multilateral institutions such as the International Monetary Fund.

Important steps were taken after the Second World War, including the creation of Special Drawing Rights and bilateral swap agreements between central banks. Today, monetary cooperation needs to accelerate. This should not be seen as a defeat for the dollar or U.S. finance, but as a natural adjustment to an increasingly multipolar and interconnected global economy.

If the U.S. role weakens without a multilateral replacement, the erosion of American financial credibility could become a dangerous obstacle to global growth. It could even spark a systemic financial crisis.

The list of problems could continue. Global public and private debt, for instance, has reached levels close to unsustainable relative to economic output. The IMF estimates the combined total has surpassed 240% of global GDP (with public debt accounting for 95%), up from an average of 180% in the 1990s, and 145% in the 1980s. Debt in poorer countries, moreover, tends to rise amid geopolitical tensions. The IMF urges governments to prioritize debt reduction, but the need to finance public deficits, and to support private borrowers, pressures central banks to create more money.

Ultimately, the IMF itself must be strengthened, made more independent of national politics, and given greater powers to coordinate effective responses to the debt challenge and the broader financial issues described above. Governments, business groups, the media, and public opinion could push the G20—overcoming likely U.S. resistance when it takes over the chair in 2026—to empower a stronger, more autonomous IMF that can lead a new phase of urgently needed re-regulation of global finance.

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Trump's Patchwork Foreign Policy and International Stability

by **Giovanni Grevi**

Drastic shifts in a superpower's course of action carry systemic consequences for the international order. Donald Trump's return to the White House in 2025 marked a turning point in U.S. grand strategy. Despite elements of continuity with previous administrations such as the shift in Washington's geostrategic focus to the Indo-Pacific to address China's rise President Trump's nationalist worldview entails a disruption in America's global positioning. There is a de-coupling between Trump's definition of U.S. national interests and the preservation of a rules-based multilateral order. Trump's world is one in which the big powers "hold the cards" and call the shots. The liberal values that have long framed American grand strategy find very little space in this worldview, and traditional allies are mostly regarded as client states.

Against this background, much uncertainty

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surrounded the trajectory of U.S. foreign policy at the outset of the second Trump administration.[1] In one scenario, Trump would privilege some form of competitive engagement with major powers chiefly China and Russia[2] which could result in grand bargains validating respective spheres of influence. A second scenario saw Trump seeking to drive a wedge between Russia and China, aiming to reset relations with Moscow while concentrating on systemic rivalry with Beijing.[3] A third scenario envisaged a hyper-transactional approach toward both friends and foes, with little strategic direction beyond maximizing gains for America.[4]

The last few months have witnessed elements of these three scenarios at play, but it remains difficult to discern an overall sense of direction. Amid bombastic statements and sudden reversals, Trump's "America First" foreign policy exhibits heterogeneous patterns across key theatres. The administration has engaged in crisis diplomacy and mediation alongside other actors in various regions, albeit often overselling both the U.S.'s role and the actual outcomes of these efforts.[5] However, it has made little progress in great power politics, if anything accentuating the convergence of China and Russia while alarming allies. The outline by President Trump of a plan to end the war in Gaza points to a narrow pathway to reducing instability in the Middle East, but any progress will require a more determined and consistent approach to defuse intersecting regional crises.

In Europe, President Trump has launched a charm offensive toward Russia's President Putin, while initially sidelining Ukraine and NATO allies.[6] The more Trump has sought to engage Putin, the more Russia has carried out massive indiscriminate strikes on Ukrainian cities. The problem lies not in pursuing negotiations, but in doing so without imposing serious costs if the other party refuses to engage. Putin's disinterest in peace, coupled with Europe's strenuous transatlantic diplomacy, has produced some rhetorical shifts, with President Trump expressing support for Ukraine and frustration with Russia most notably after the ineffectual Trump-Putin Alaska summit in August 2025.

Washington allows Europeans to buy U.S. weapons to defend Ukraine and maintains critical intelligence cooperation with Kyiv. After envisaging another summit with Putin, eventually cancelled, Trump imposed tough sanctions on Russian oil exports in October 2025. However, he continued to send conflicting messages, arguing that the war does not affect the US. Russia's direct threat, combined with concerns about the American commitment to European security, has spurred Europeans to scale up defense spending, though results will take time.[7] As Trump's confounding behavior has called NATO's cohesion into question, Russia has been testing the Alliance, most recently via repeated violations of NATO airspace, raising the risk of further escalation.

In the Indo-Pacific, the Trump administration aims to reinforce military deterrence toward China but is weakening the diplomatic and economic leverage of the U.S. in the region.[8] Beijing continues to assert its illegitimate claims over the South China Sea and tighten the pressure on Taiwan. While the U.S. sends mixed signals to allies, China and Russia appear to draw ever closer. President Xi has leveraged the Shanghai Cooperation Organization summit to herald the emergence of a world order alternative to the one previously underwritten by Washington. Even if the credibility of this alternative front is debatable due to its heterogeneity, Trump's inconsistent diplomacy has amplified China's narrative. At this stage, the administration's approach to Beijing fluctuates between geopolitical standoff in the Indo-Pacific, systemic technological competition, attempts to foster dialogue, and an intermittent trade war.

In the Middle East, since Israel launched its devastating campaign in Gaza in response to the heinous Hamas attack in October 2023, the U.S. has failed to mobilize its unique influence to restrain the brutal use of military force by the Netanyahu government, which triggered a humanitarian catastrophe.[9] In September 2025, Israel's bombing of a building in Qatar, targeting Hamas leadership, further challenged the perceived reliability of U.S. commitment to regional stability among America's Arab and Muslim partners. This strike, among other factors, spurred Washington into action. The Trump administration worked with regional partners to outline a peace plan and quickly secured Prime Minister Netanyahu's acceptance.[10] Israel and Hamas have agreed on the first phase of the plan, but the ceasefire is fragile and the plan's full implementation faces major obstacles. The two-state solution the only viable option to ensure the security of both Israelis and Palestinians remains a very distant prospect.

Despite the breakthrough in Gaza, this brief review of the first nine months of the Trump administration's foreign policy exposes an overall disjointed approach. This foreign policy patchwork rests on a volatile, transactional mindset that risks compounding insecurity by further weakening the international order. Across separate crises, President Trump and his administration have often privileged realpolitik such as courting Putin as a partner or considering the relocation of the Palestinian population from Gaza over upholding basic norms of international law in cases of gross violation, from Ukraine to Gaza. Meanwhile, President Trump has belittled or penalized U.S. allies and partners in Europe and the Indo-Pacific through unilateral tariffs, coercive trade deals, and ambiguous signals regarding U.S. security commitments. Economic and security bonds run deep across the Atlantic and Pacific, but mutual trust has been shaken.[11] Moreover, such erratic behavior heightens uncertainty and can induce miscalculations along tense geopolitical fault lines. As the world grows more fractured and unstable, transactionalism is no substitute for strategy.

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Global South and Transversing Cooperation in a Fractured Multipolar Order

by **Heena Makhija**

In the run up to the 2025 UN General Assembly (UNGA) meeting, 142 of the 193 UN member states endorsed the New York Declaration, calling for a peaceful settlement of the conflict in Palestine and implementation of the two-state solution.[1] The declaration came at a time when the UN Security Council (UNSC) had once again failed to adopt a resolution on an immediate ceasefire in Gaza, owing to a United States (US) veto despite affirmative votes from the other 14 members of the 15-member council. The dichotomy between the two organs reflects a broader trend of disjuncture in the contemporary discourse on multilateralism. In recent years, polarization and power imbalances within international institutions have been aggravated by rising bilateral conflicts and the US withdrawal from major global initiatives under the new administration. As Western influence within multilateral institutions declines, the Global South is proactively stepping in to

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sustain dialogue and cooperation on global governance.

Navigating the Impasse in the United Nations

The UN system has been under duress for quite some time, with bureaucratic obstruction in decision-making and mandate implementation becoming a recurring affair. In recent years, in cases such as Syria, Iran, Ukraine, and Palestine—where UNSC members or their allies were directly implicated—great power competition blocked consensus on conflict resolution. Earlier this year, with the return of President Trump to office, the US—the largest contributor to the UN's budget—cut and froze almost $1 billion in funding while also pulling back from major international agreements.[2] As a consequence of such a dismissive stance by an influential power toward UN agencies, a normative crack and compliance vacuum has deepened in an already divisive system.

However, the logjam at the UN—especially the power struggle in the UNSC—need not necessarily hinder collaboration on global issues. There is institutional precedent for the emergence of norms despite staunch opposition from major powers. For instance, in the landmark July 1996 International Court of Justice (ICJ) Advisory Opinion on the Legality of the Threat or Use of Nuclear Weapons, South Pacific states persisted and successfully lobbied for recognition of the norm of general illegality, despite resistance from the US and USSR.[3] More recently, even as consensus eluded UNSC on sanctions and conflict, the UNGA adopted the United Nations Convention against Cybercrime in December 2024.[4] The treaty, initially pushed by Russia and the result of years of negotiations, provides states with a range of measures to combat cybercrime and strengthens international cooperation in sharing electronic evidence for serious crimes.

The adoption of such an international treaty amidst a tense global climate indicates that, where willing, states can minimize fallout and build normative consensus at the UN on emerging global issues. Similarly, the World Health Organization (WHO) Pandemic Agreement was adopted by consensus in May 2025 despite the absence of the US and abstention by Russia.[5] Coalitions within the UN such as G-77 and L-69 have also been instrumental in forging backchannel consensus. Recently, on the sidelines of the 80th UNGA, India hosted a meeting of 20 "like-minded" countries, where External Affairs Minister Dr. Jaishankar emphasized the need for the Global South to work together to safeguard multilateralism at a time when international organizations are being rendered increasingly ineffective.[6]

Consensus Building through Plurilaterals and Minilaterals

Even though the UN remains the primary forum for global negotiations, recent years have witnessed the rise of alternative plurilateral and minilateral groupings—such as BRICS, QUAD, and I2U2—as pragmatic platforms for enhancing multilateral engagement. Unlike long-standing regional organizations such as the EU, AU, or ASEAN, these emerging formations are cross-regional, issue-based, and comparatively smaller, enabling more targeted and topical interventions.

From an organizational standpoint, forging consensus in larger, rules-based institutions like the UN is a monumental task, often requiring years of backchannel diplomacy and formal negotiations. By contrast, collaboration is often easier in the relatively informal structures of plurilaterals. For instance, BRICS—initially conceived as a financial forum—adopted a Counter-Terrorism Strategy in 2020, creating the Counter-Terrorism Working Group (CTWG) to promote intelligence sharing, prevent misuse of Information and Communications Technology (ICT), and push for the adoption of an international convention.[7] While upholding the centrality of the UN Charter, the BRICS Rio Declaration also univocally condemned military strikes against Iran and reaffirmed Gaza as part of the Occupied Palestinian Territory.

Similarly, other platforms such as the G7 and G20 remain pivotal in enhancing cooperation while navigating strategic divides. For example, despite rising conflicts in Ukraine and the Middle East, Brazil launched the Global Alliance against Hunger and Poverty under its G20 presidency, securing nearly 148 founding members—including 82 states.[8]

Re-Imagining Global Governance

As the US retreats from multilateral initiatives, China seized the opportunity to announce its Global Governance Initiative (GGI) at the recent SCO Summit. President Xi highlighted the double standards and hegemony of a few countries within the existing order, while asserting that the UN must remain at the core of global governance. The GGI aims to promote sovereign equality, adherence to international law, genuine multilateralism, a people-centered approach, and concrete action.[9]

A new multilateral initiative led by the Global South represents a positive development. However, polarization-induced stagnation does not erase existing governance frameworks; rather, new initiatives co-exist and often overlap with established structures. Minilaterals such as the QUAD have strengthened cooperation through joint military exercises and working groups on vaccines, climate change, and critical and emerging technologies.

At the same time, a formal "universal" organization like the UN retains a distinct advantage through its legitimacy and accountability, derived from a rules-based charter. Multipolarity has opened avenues for innovative governance models, yet these frameworks often run parallel to established international norms. Despite its limitations, the UN will remain central to global governance and multilateral negotiations, while emerging plurilateral forums will play a crucial role in building consensus.

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The Self-Inflicted Crisis of Global Governance

by **Lavanya Mani**

All systems are born of a specific historical context, built on assumptions shaped and biased by the perspectives of their time. As realities evolve, ideas become outdated, and rigid structures risk losing legitimacy, creating inefficiencies and eventually redundancy. The effectiveness of any system depends on its design: how strong its assumptions are, how it anticipates change, balances power and adapts to new challenges. The post-Second World War multilateral architecture was no exception: its foundational assumptions about power and cooperation shaped institutions that were intended to stabilize the world, but over time, these same assumptions have been challenged and have become self-defeating prophecies. The following sections examine the key assumptions embedded in the United States-led design of global governance, and how they have contributed to the breakdown we witness today.

Lavanya Mani, Fellow, ORF.

Three Foundational Assumptions Of The U.S.-Led Multilateral Framework, And Their Self-Defeating Prophecies

1. Assumption Of Major Power Cooperation: *Cooperation between the victors of the Second World War and shared institutional representation is necessary to ensure international peace, security, and stability*[1].

This assumption underpinned the design of the permanent members (P5) of the United Nations Security Council (UNSC), to ensure the buy-in of the major powers at the time. But there was a failure to envisage an alternative reality in which global power could shift—in which powers could diminish or rise. Consequently, the P5 design did not provide for its own expansion and counterbalance, which even the U.S. would have preferred under the assumption of major power cooperation. The UN charter did not provide for the possibility of reforms independent of the P5's approval, even if other non-permanent members or member states agreed, making any meaningful change impossible. Since the UNSC's inception, the P5 members have vetoed each other's resolutions without any member fully committing to furthering peace and stability, ultimately causing a breakdown and redundancy of the UN. As of August 2025, Russia has used its veto power to block 159 resolutions, followed by the U.S., which has used it 93 times, and China, which has blocked 21 resolutions. The United Kingdom and France have not exercised their veto powers since the dissolution of the USSR[2]. This has caused the P5 design to become a self-defeating prophecy: the very framework meant to guarantee global stability through great power cooperation has institutionalized rivalry, and in doing so, generated instability within.

Recently, President Donald Trump's claim at the 2025 UN General Assembly (UNGA) of having "ended seven wars in the world" (a highly disputable claim), and Secretary of State Marco Rubio's charges that "*the UN has not been there for us*" and "*the UN is playing no role*" in ending the crisis in Gaza[3] highlighted two key points: (1) the U.S., as the UN's primary architect, admits the institution is incapable of meeting its objectives, and even leaves Washington feeling excluded from the very system it created; and (2) the irony of blaming the UN for inaction, while the U.S. is the only country that continues to veto UNSC ceasefire resolutions on Gaza. From being the UN's chief architect to becoming one of its chief saboteurs—the U.S. has certainly come a long way.

2. Assumption Of Liberal Internationalism: *Embedding 'liberal internationalism' in the post-war institutions through managed trade liberalization and rules-based multilateralism would create economic interdependence and foster security cooperation, which in turn would help foster peace, security, and shared prosperity*[4].

This assumption of universal liberalization created the General Agreement on Tariffs and Trade (GATT), which was later formalized as the World Trade Organization (WTO), institutionalizing international trade rules. The effectiveness of the WTO was, however, undermined by its founding principle of 'consensus-based decision making'.

The GATT never explicitly mentioned the word 'consensus'; the interpretation of its rules made consensus one of the options for decision making and became a practice owing largely to its relatively small membership (23 countries) at the time[5]. Under the WTO, despite its vastly expanded membership (166 countries), members clung to consensus as the default practice despite Article IX of the Marrakesh Agreement explicitly providing for the option of super-majority voting, if consensus could not be reached out of fear of alienating dissenting members or creating warring camps. This right effectively became a 'negative veto' in the hands of all the members. A handful of members effectively used consensus to stall negotiations, or even block procedural decisions necessary for the system's survival, the most prominent example being the U.S.'s repeated blocking of appointments to the WTO Appellate Body, effectively rendering the WTO's dispute resolution and enforcement mechanism defunct.

The design of the system, intended to be democratic—embedding rules-based multilateralism on the premise that closer economic ties through trade liberalization and globalization would generate stability—paradoxically caused the system to collapse when its original proponent, the U.S., exploited the institutional design for its own interests. By applying the principle of universality too broadly, without distinguishing between matters that affect members' substantive rights, and those that are merely procedural (such as Appellate Body appointments), the WTO made itself a hostage to members exploiting the system. This institutional design flaw turned its founding premise into a self-defeating prophecy - the belief that universal consensus would sustain cooperation instead created institutional paralysis. The U.S. acted as both the architect of the system and its exploiter, ironically, for a country that previously proposed reforms to the consensus-based decision-making process.

The need for reform on this front is strongly supported by a 2025 survey of WTO members conducted by the Hinrich Foundation, which showed that more than 92% of the survey's respondents agreed it was important to modernize the practice of consensus, with 57% saying it was extremely important[6].

3. Assumption Of Hegemonic Stability: *Institutionalization of U.S. hegemony was seen as necessary to ensure post-Second World War global stability and an institutionalized order[7].*

The hegemonic status of the U.S. reflected through the 'American veto' has been an important aspect of the design of the post-war governance institutions, most prominently reflected in the Bretton Woods institutions, through their quota-based and de-facto veto systems. The system was justified as linking financial contributions to voting power, yet its application reveals asymmetry designed to entrench U.S. dominance. The International Monetary Fund and World Bank have broadly similar systems, the main differences between them being relatively minor. When the U.S. wanted to reduce its contribution to the IMF and risked losing its blocking minority under the original 80% special majority rule, it simply amended the articles and pushed the threshold up to 85%, ensuring it retained a de-facto veto even as its relative contribution declined[8]. By contrast, as membership expanded and quotas grew, the 'basic votes' intended to protect smaller and less developed members, where each country was allocated 250 votes at inception, shrank from 11.3% of the total voting power (14% in 1956) to 5.5 % today. This juxtaposition reveals that the system has evolved primarily to protect U.S. interests.

Multiple rounds of quota-realignment reform discussions over more than a decade to better represent emerging-market economies have yielded no results because of political resistance especially, from the U.S.—the latest round being in 2025[9]. This persistent institutional design flaw based on the assumption of hegemonic stability turned it into a self-defeating prophecy by entrenching inequities and sowing a legitimacy crisis that drove the creation of alternative forums, including the G77 and BRICS, ultimately questioning not just the validity of the hegemonic stability assumption, but also revealing the deliberate effort to entrench U.S. dominance over the international financial system.

2025 Realities And The Great Institutional Breakdown

1. **Delegitimization Of The UN:** The UNSC is deeply divided on key crises—Gaza, Ukraine, and more. Adding to this, the other two Western P5 members—France and the UK—have recently recognized the statehood of Palestine, exposing cracks in transatlantic solidarity and the frustration with the UNSC. Repeated UNGA resolutions have had little impact on helping resolve such conflicts. Compounding these woes are severe funding shortfalls, with the U.S., China, and other member states withholding contributions to the UN, significantly impacting its operations. UN Peacekeeping missions shrunk by more than 40% between 2015 and 2024[10]. Year after year, countries, including the U.S., make grand statements at the UNGA calling for reforms. But if everyone is complaining, who is actually listening?
2. **Paralysis At The WTO:** The U.S. has not only paralyzed the WTO's Appellate Body by blocking appointments, rendering it defunct since 2019, but has also gone on to impose a range of tariffs on several countries, in violation of the WTO rules on most-favored-nation obligations and bound-rate commitments[11]. The U.S. has often acted under the pretext of national security. President Trump cannot be solely blamed for this. The Biden administration did nothing to restore the Appellate Body, and continued the stance, despite its own previous objections. In fact, the patterns in the last decade point to a bipartisan consensus on aggressive trade posturing by the U.S.—for example, maintaining tariffs on Chinese imports, and persisting trade restrictions on U.S. allies, including the EU, UK, Japan, and South Korea[12]. Adding to this, the mega-regionals such as the Regional Comprehensive Economic Partnership (RCEP), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), are reshaping trade governance in their respective regions, amplifying global trade fragmentation.
3. **Incapacitation Of The IMF And World Bank:** The United States is currently neither providing timely funding increases to the IMF, nor supporting necessary quota reforms,

putting the institution's financial health and legitimacy at risk amid increasing global debt crises and increased demand for IMF resources. While the IMF's Board approved a 50% quota increase in December 2023, raising the permanent resources to about $960 billion, as of April 2025, only about 70% of members (holding 70% of total quotas) have consented, falling short of the mandated 85%. The U.S. holding 17.42% of the quota share[13] effectively controls this decision and has not given its full consent. The deadline for this has been extended multiple times, most recently through November 2025. This situation is further aggravated by U.S. policy shifts under Trump to an 'America First' approach, effectively abandoning the institutions it helped create. This has only fueled the surge in alternatives, including the BRICS New Development Bank and the Asian Infrastructure Investment Bank. The World Bank, much like the IMF, struggles with unresolved tensions between serving the poorest countries and supporting middle-income members, creating issues of mandate and legitimacy. Despite capital increases, political resistance and conflicting shareholder priorities continue to stall meaningful reform and adaptation to global challenges[14].

Whether by withdrawing from the Paris Agreement or selectively engaging in the UN Framework Convention on Climate Change processes, the U.S. has repeatedly abandoned systems it initiates. This reflects a broader pattern. It seeks to institutionalize and formalize cooperation yet consistently refuses to be held accountable by the very standards it sets. It is not emerging powers or alternative institutions that have 'dethroned' the U.S. It has done so through its own choices, simultaneously anointing itself and undermining its own authority.

Power entrenchment is never a sustainable model, however tactfully designed. Systems built for continuity ought to evolve, both in power representation and underlying ideas, if they are to remain balanced, legitimate, and effective. Whether through the way it designed these multilateral institutions, or through its actions since, the U.S. has consistently demonstrated to the world how multilateralism ought not to be. The U.S. has been both an ardent critic of, and participant in, these multilateral institutions for several decades now. As their chief architect, this duality represents perhaps the strongest case for reform, and the principal cause for the lack thereof, ultimately reducing the system to 'my way or the highway'. This may seem like a critique or a call to accountability, depending on how serious one is about reforming these institutions.

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Global Health Governance in Flux

by **Lakshmy Ramakrishnan**

Shifting Foundations of Global Health Governance

The year 2025 marks a pivotal point in global health governance. Its landscape shifted with the return of US President Donald Trump to the White House, marked by the long-signaled withdrawal from the World Health Organization (WHO), the abrupt closure of a key development actor—the US Agency for International Aid (USAID)—and subsequent funding cuts to other multilateral bodies. Citing the WHO's mishandling of public health crises, China's perceived disproportionate influence over the agency's early Covid-19 response, inequities in funding within the organization, the need for WHO reform measures, and a demand for realignment of international development aid, Washington stepped back from its traditional leadership role in global health.[1]

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Long-standing global health partnerships, such as those between WHO and US Centers for Disease Control and Prevention (US CDC), which facilitated disease surveillance and immunization activities, have been halted, undermining US capacity to respond to transnational health threats and placing global health security at risk. Coupled with the political polarization of health—which fuels mistrust in institutions and misinformation over health-promoting behaviors—and reduced funding for mRNA vaccine research, these moves have created a leadership, technical, and financial void in global health governance.

As health challenges intensify and multilateralism strains, the US retreat underscores how multipolarity is emerging as the new reality in global health governance, with power increasingly dispersed amongst states, non-state actors, and regions. This shift necessitates a clear roadmap for constructive engagement.

WHO at a Crossroads

While WHO initiated reforms to address its dependence on a narrow donor base, the US withdrawal highlighted that these measures remain insufficient to tackle deeper structural fragilities. The financial vacuum left by the US forced WHO member states to approve a smaller base budget for 2026-2027 than initially proposed, even as assessed contributions rose, constraining some of its mandate. Furthermore, without binding commitments on financing or stronger mechanisms to ensure accountability, vulnerabilities persist.

China, expanding its role in global health governance, pledged an additional $500 million contribution to WHO over the next five years and continues to expand its Health Silk Road partnerships.[2] Coupled with growing engagement of WHO with philanthropies and private entities, global health priorities may be reshaped toward China's strategic interests or commercial objectives rather than critical public health needs. These shifts highlight the urgency of WHO reforms that strengthen accountability and transparency. Beyond WHO, institutions such as the Pandemic Fund, Gavi, and the Global Fund—despite gaining salience—remain fragmented and heavily donor-dependent, limiting sustained financing. Armed conflict in Russia-Ukraine and West Asia have created acute humanitarian crises and strained donor resources, while increased military spending has diverted funding from health programs.

Big Tech: New Global Health Actors

Beyond state actors, the global health landscape is increasingly shaped by powerful non-state actors. Big Tech has emerged as a crucial global health player, influencing data governance, healthcare delivery, digital health tools, and public opinion. The rapid digitalization of health, catalyzed by artificial intelligence (AI), underscores the need for global health governance that balances benefits and risks. Yet, WHO's engagement with technology companies remains fragmented and dated.[3]

Despite having digital health strategies—such as the Global Initiative on Digital Health and guidelines on ethics and governance of large-language models—WHO does not provide a nuanced framework to guide how countries should partner with technology firms to harness new technologies for equitable health outcomes.[4] This gap leaves accountability, transparency, and ethical standards unaddressed.

Moreover, despite existing partnerships between WHO and technology corporations, regulatory frameworks remain nascent, presenting considerable risks to public health. Such frameworks are necessary to address challenges, including:

- Conflicts of interest if technology corporations prioritize commercial interests over public health goals.
- Balancing data sovereignty and privacy, given that tech companies collect and control enormous amounts of health-related data.
- Addressing algorithmic bias in AI-health tools, particularly for underrepresented populations.
- Managing the negative effects of technology use on mental health and overall well-being.[5]

Constructive engagement to address global health challenges will require WHO to establish frameworks that balance the innovation offered by Big Tech with governance mechanisms to manage its risks. This approach will enable the development of innovative solutions that strengthen health systems resilience, enhance the legitimacy of global health governance, and align with broader global frameworks on technology governance.

Persistent Crises

Enduring global health challenges underscore the urgency of effective governance. A year-long mpox health emergency, coupled with cholera vaccine shortages, highlights persistent inequities in access to essential medical countermeasures. Concomitantly, the rising global obesity crisis—with 16 percent of adults living with obesity in 2022[6]—and the threat of antimicrobial resistance, which caused 1.27 million deaths in 2019[7]—illustrate how commercial determinants undermine long-term health efforts. These ongoing crises underscore the need for coordinated global action and a governance system that can adapt to this altered global health governance landscape—one that will operate with reduced US influence.

Emerging Leadership from the Global South

This emerging multipolar order creates an opportunity for the Global South to exert greater agency in decision-making by addressing regional health challenges. Regional bodies such as Africa CDC and ASEAN are enhancing self-reliance through mRNA vaccine production, while India's experience in digital health transformation offers replicable lessons for South-South cooperation.

In its Rio de Janeiro Declaration of July 2025, BRICS signaled a commitment to strengthening global health governance, with an emphasis on vaccine initiatives.[8] BRICS+ can complement these efforts by developing alternative global health financing models, strengthening biologics manufacturing capacity, fostering public-private partnerships tailored to local contexts, and addressing commercial determinants of health.

Advancing these initiatives will also require science diplomacy to build trust and collaboration around evidence-based approaches. Collectively, these efforts reaffirm a commitment to multilateralism in health, while positioning equity and inclusivity in governance and anchoring emerging economies as leaders of a more resilient global health order.

The Pandemic Treaty: Promise and Pitfalls

For these Global South coalitions to endure, they must also shape the evolution of new global health frameworks. The Pandemic treaty, adopted by the World Health Assembly in May 2025 and hailed as a success for multilateralism, will only succeed if the priorities of emerging economies are embedded and if it addresses vulnerabilities and tensions revealed during the Covid-19 pandemic.

A major component of the agreement—the Pathogen Access and Benefit Sharing Mechanism (PABS), which governs the sharing of biological resources and the supply of vital biologics—is still under negotiation, and ambiguity over contractual obligations between WHO and pharmaceutical companies remains.[9] Moreover, the agreement lacks an inclusive 'One Health' approach to pandemic preparedness and overlaps with another ABS framework, the Cali Fund, complicating efforts.[10] While the treaty will establish a Coordinated Financial Mechanism, it will rely on discretionary funding, leaving sustained financing uncertain.

The Next Phase

The global health governance system is in a state of flux, with the US retreat creating gaps in leadership, financing, and technical expertise, while China and Big Tech take on more prominent roles. The lack of consolidated guidelines on WHO's engagement with technology companies underscores the need to ensure that technological innovation in health incorporates accountability, transparency, and ethical standards.

As health challenges persist and inequities in access to healthcare demand sustained responses, the Global South has a unique opportunity to reshape the global health governance system. By strengthening regional capacities, pioneering South-South cooperation, deploying science diplomacy, and addressing weaknesses in the Pandemic Treaty, durable partnerships that tackle local challenges can be formed. Constructive collaboration among global health actors across multilateral institutions will be essential for this next phase. As multipolarity becomes the new reality, the Global South is well poised to influence the trajectory of global health governance and ensure it becomes more resilient.

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Global Governance: The "No Man's Land" Scenario

by **Antonio Villafranca**

The crisis of international norms, rules, practices, and institutions threatens to transform the global landscape into a "no man's land"—a space where anything goes, politically, militarily, economically, and financially. This crisis has deep-rooted causes that have intensified over the past decade, primarily stemming from the growing global rivalry triggered by the political and economic rise of state actors claiming a more prominent role on the global stage and within the Western-led international institutions established after the Second World War.

The continuing decline of multilateral institutions and international law has coincided with the surge and proliferation of both old and new regional and plurilateral institutions. On closer inspection, this proliferation is not inherently at odds with the multilateral order, provided that plurilateral or regional institutions help simplify

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multilateral negotiations by fostering common positions within each respective group or region. Unfortunately, this "simplification" is not taking place for two key reasons.

First, the demands of emerging powers are not limited to the representativeness and the functioning of multilateral institutions; they also aim—at least partially—to revise the very goals of these institutions and of international rules and practices. In parallel, mature economies, acting as incumbents, strive to preserve the status quo that positions them advantageously within existing multilateral institutions. As a result, the plurilateral and regional institutions newly created by emerging countries, alongside the revival of old ones by mature economies, risk limiting the ambition and scope of multilateral institutions rather than operating with a logic of complementarity and support.

The second reason preventing simplification concerns the presumed "homogeneity" of positions within each group of countries (whether emerging or advanced economies) to be later integrated into broader multilateral frameworks. Categories like "Global North and South," "The West and the Rest,"[1] and similar constructs suffer from fundamental issues: they arbitrarily define the boundaries of membership (where does the North end and the South begin?) and fail to adequately account for the heterogeneity of the countries they encompass. Within each group, various countries often hold political and economic interests that are not aligned with those of other members. Sometimes, they even consider each other rivals, if not enemies—for instance, in the case of unresolved territorial disputes.

These dynamics have undermined multilateral cooperation and the related system of international rules over the past decade, in a context where new and old regional or plurilateral institutions risk contributing to increasing complexity rather than simplification. In this vein, the G20 offers a useful case study. Although the high compliance with commitments under the G20 framework[2] may suggest a reassuring picture of multilateral effectiveness, it fails to capture the scope—or rather, the level of ambition—of these commitments. We are now light years away from 2009, when the G20 coordinated a decisive and unified response to the global financial crisis. A cursory glance at the modest multilateral response during the COVID-19 pandemic, or the hesitations and backpedaling in the UNFCCC negotiations on climate change, underscores the decline in multilateral ambition.

Over the past year, the situation has worsened. The decline in ambition has been accompanied by a decrease in compliance, signaling the accelerated erosion of multilateralism as a whole. This dynamic affects both relatively recent multilateral forums, like the G20, and older ones, such as the United Nations.

Key drivers of this acceleration include recent events: from Russia's invasion of Ukraine—which violates fundamental principles of international law—to Donald Trump's return to the White House. Various foreign policy initiatives and provocations by the U.S. President have influenced both the causes behind the decline of multilateral institutions and the growing divide between these institutions and regional or plurilateral ones. Regarding the representativeness, functioning, and goals of multilateral institutions, the change is radical. It is no longer simply a matter of obstructing or delaying change but of actively pushing certain multilateral institutions toward irrelevance. Under Trump, the U.S. not only continued to block the appointment of judges to the WTO Appellate Body but also withdrew from the WHO, UNESCO, and climate agreements, while taking a harsh stance on the South African-led G20.

As for homogeneity within each regional or plurilateral bloc—as a prerequisite for a common position in multilateral formats—even historical military alliances (which have not broken apart, as with NATO) and, especially, economic alliances have been shaken. This was clearly evidenced last April by the "Liberation Day" tariffs, which made no distinction between allies and non-allies.

Thus, the crisis of multilateralism is not a recent phenomenon, but it has been exacerbated and accelerated by recent developments. The growing irrelevance of international institutions and norms risks creating a "no-man's land" scenario, in which state actors enjoy increasing freedom of action and alliances become more fluid. However, this newfound "freedom without strings attached" does not apply equally to all states. A clear hierarchy exists regarding this "freedom," and it is closely linked to the power held by each state. The margin of freedom—in terms of strategies and alliances—is greatest for the two leading world powers, the U.S. and China, and decreases progressively from regional powers to states with the lowest levels of political and economic influence. The power of these latter states was often minimal even in the past, but international institutions and norms—despite their significant limitations—served as a last defense or, at least, as a means of making their voice heard.

In sum, in the "no-man's land" scenario, there are (a few) winners and (many) losers. It is unrealistic to expect that a reform of global governance aimed at greater equity and efficiency will emerge from those at the top of the new global hierarchy. Pursuing such a reform is instead in the interest of all other states, without distinction between North and South, East and West, or any other divisions. These distinctions risk undermining the effectiveness of collective action and, ultimately, would play into the hands of the most powerful states.

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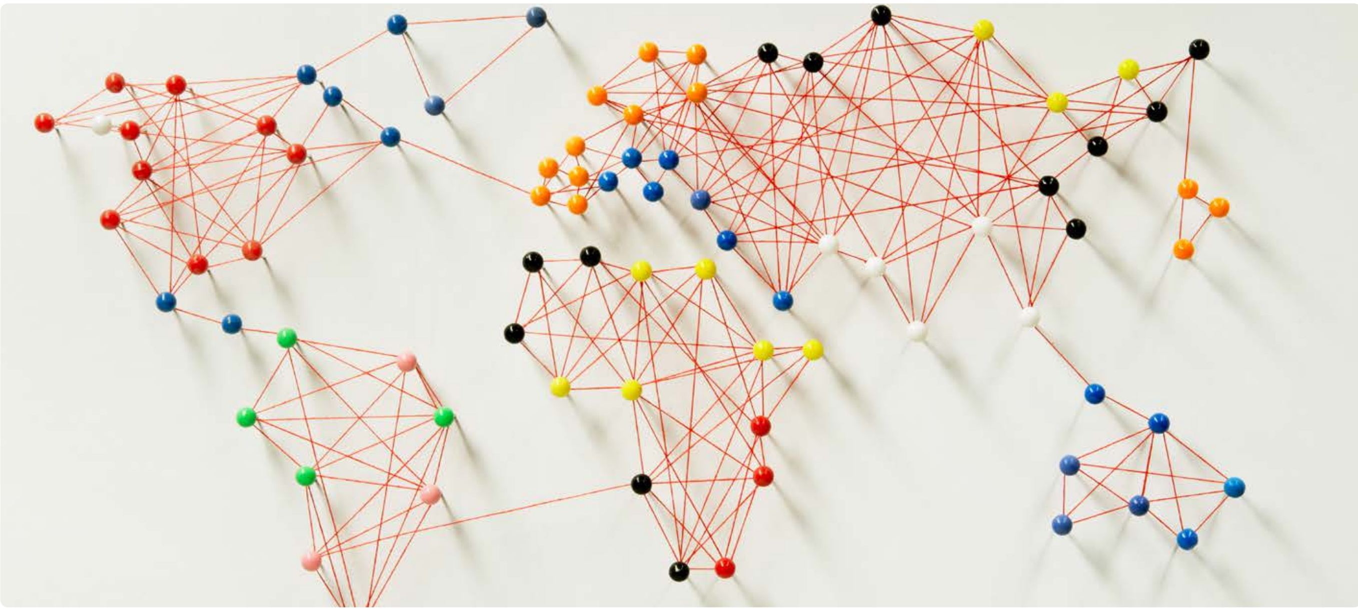
Security



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Beyond Polarisation: The Importance of Regional Security Cooperation

by **Kartik Bommakanti**

Fostering cooperation and dialogue on security-related challenges, both intra-regionally and cross-regionally, can be demanding and complex. The density and quality of these dialogues are also likely to vary. There are three main areas of focus in security where dialogue can be fostered or is already taking place: regional and inter-regional security dialogues covering counter-terrorism, maritime security, transnational crime, and Humanitarian Assistance and Disaster Relief (HADR) cooperation. Several dialogue and cooperation mechanisms exist, but three inter-regional dialogues will be highlighted below: the EU-ASEAN Political-Security Cooperation, the EU-India and EU-Central Asian dialogue, and the MENA-EU Dialogue.

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European Union (EU)-ASEAN Political-Security Cooperation

Among the most advanced inter-regional dialogues is that between the EU and the Association of Southeast Asian Nations (ASEAN). The EU is engaged in a political-security dialogue with ASEAN member states through their involvement in the ASEAN Regional Forum (ARF), the Post-Ministerial Meetings (PMCs), the ASEAN-EU Ministerial Meeting (AEMM), the ASEAN-EU Senior Officials' Meeting (SOM), and the ASEAN-EU Joint Cooperation Committee (JCC) Meeting.[1] The Senior Officials' Meeting on Transnational Crime (SOMTC) Plus EU Consultation is another mechanism through which the EU and ASEAN cooperate. The 13th Consultation of the SOMTC Plus EU Consultation, for instance, was conducted in June 2025 in Putrajaya.[2]

The ARF and the EU-ASEAN PMC are the primary mechanisms through which the security dialogue is conducted, with the EU's High Representative and Vice President (HRVP), Kaja Kallas, in July 2025 underlining the importance of cooperation between the two regional groupings in areas such as the protection of undersea cables, semiconductor production, and maritime security more broadly.[3]

Security cooperation between EU and ASEAN has been forged in several areas, notably maritime security. This includes piracy, natural resources, maritime infrastructure, offshore energy platforms, scientific equipment, and naval cooperation involving specific EU countries, such as France, through their naval presence in the Asia-Pacific and Oceania.[4] On "best practices" for maritime security, both sides frequently exchange ideas and consult through the ASEAN-EU High-Level Security Dialogue on Maritime Security Cooperation (HLD-MS).

Beyond this, for the 2024-2027 period, the EU has applied for observer status under the ADMM-Plus Experts' Working Groups (EWG-Plus EWGs) on Peacekeeping Operations (PKO) and Humanitarian Assistance and Disaster Relief (HADR).[5] Collectively, these dialogue mechanisms have fostered and cemented stronger inter-regional understanding of constraints, challenges, and opportunities for cooperation between European and South East Asian countries. The quality of dialogue and engagement between the EU and ASEAN is substantial, though it varies across sectors and domains.

EU-India Dialogue and EU-Central Asian Dialogue

Beyond the EU-ASEAN dialogue, India—an important member of the Shanghai Cooperation Organisation (SCO)—has also engaged the EU on security matters. While the SCO itself does not maintain formal institutional dialogue with the EU (unlike ASEAN), several SCO member states, notably India, have developed direct channels with the EU.

There is no formal EU-SCO dialogue, but individual SCO countries do engage with the EU. As noted, India is among them. India conducts very specific security dialogues with the EU, including maritime security, cyber security, space security, and counterterrorism. On the maritime front, in March 2025 the EU's HRVP, and in June 2025 the HRVP of the EU, together with the Indian External Affairs Minister (EAM), agreed on the necessity of both regional and global security dialogue, highlighting the "… interconnectedness [of].. security dynamics…" between Europe and the Indo-Pacific.[6] Indeed, India does not want the SCO to serve as an anti-European or anti-American platform.

Beyond India, the EU has established security dialogues with the five Central Asian Republics—Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan—four of which are formal SCO members. In July 2025, the EU and these republics, together with Turkmenistan, convened their 12th Annual High Level Political and Security Dialogue in Dushanbe, Tajikistan,[7] to take stock of progress under the Joint Roadmap for Deepening Ties between the EU and Central Asia.

Security cooperation in this framework covers a wide range of priorities: border management, reducing demand for drugs, counter-terrorism, cyber security, hybrid threats, and Chemical, Biological, Radiological and Nuclear (CBRN) threats. The dialogue also addresses ongoing challenges stemming from Russia's invasion of Ukraine and instability in Afghanistan.[8] Specifically on CBRN threats, the EU has provided support on strengthening strategic trade controls on dual-use items and improving technical capabilities to prevent the proliferation of Weapons of Mass Destruction (WMD).[9]

EU-MENA Dialogue on Security and Regional Stability

The European Union (EU)-Middle East and North Africa (MENA) dialogue is still in its nascent stages. Unlike the EU, MENA is not a formal regional grouping. Rather, it constitutes a diverse and fragmented set of countries stretching from North Africa to the Gulf Cooperations Countries (GCC). Despite this, several areas of mutual concern serve as the basis for dialogue between MENA countries and the EU. Among the central pillars of the EU-MENA are counter-terrorism, migration, and regional stability.

The MENA region, a loose grouping of 19 countries, is home to roughly 45 percent of the world's natural gas reserves and 60 percent of the world's crude oil reserves.[10] Since the Russian invasion of Ukraine, the MENA-EU dialogue has assumed greater salience and significance. Even prior to the invasion, MENA's importance to the EU was considerable due its geographic proximity, energy security concerns, and long-standing instability.[11]

Through mechanisms such as European Neighbourhood Policy, the Barcelona Process, and the Union for the Mediterranean (UFM), dialogue has taken place. The Barcelona Process has been an especially important means of addressing the political and security dimensions of the EU-MENA relationship. The year 2025 marks the 30th anniversary of its establishment. It was designed to address stability, peace, and security across the Mediterranean and the EU.

In July 2025, UFM Secretary General Nasser Kamel met with European Commissioner for the Mediterranean Dubravka Suica to promote shared goals on regional stability, coordinate policy, and pursue sustained political dialogue.[12] The EU and the GCC have also had a security dialogue in place since 2024. In 2025, their second High-Level Forum further institutionalised cooperation on counterterrorism, maritime security, cyber, and hybrid threats.[13]

Conclusion

Of all the security dialogues analysed above, the EU-ASEAN dialogue is the most structured and institutionalised in terms of security issues. The range and quality of this dialogue span several years, which explains why it has a level of depth that other inter-regional security dialogues do not possess. The EU-India dialogue involves India, a major power of the Indo-Pacific, by virtue of its membership in the SCO. Although still in its early stages, it is set to grow in the coming years. The four central Asian states, along with Turkmenistan, have also shown a willingness and agency to transcend institutionalised constraints, despite the significant influence of China and Russia, in order to forge an inter-regional dialogue specifically with the EU. The MENA region, though a loose grouping of countries, is likewise engaged in dialogue with the EU on security issues. Given their geographic proximity, the EU and MENA countries have maintained dialogue and, in some instances, forged cooperation.

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Heralding New Approaches to Maritime Security Cooperation in the Indo-Pacific

by **Sayantan Haldar**

The global security landscape has been reshaped in 2025. Arguably, the return of President Donald Trump to the White House has been a critical factor influencing the seeming reset in security calculations of various global stakeholders[1]. Trump's decisive approach, marking the retreat of the United States from its role in various conflict zones, coupled with his personalized approach in bolstering efforts to end wars in the Middle East and Ukraine, have set in motion serious efforts by countries to rethink their security preparedness. The Indo-Pacific region has been emblematic of this phenomenon.

The U.S. role as a security actor in the Indo-Pacific has been critical for the pursuit of Washington's own interests, but also for the security of several key stakeholders in the region, including Japan, Australia, and South Korea[2]. The Indo-

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Pacific has also, over the years, emerged as a frontier for the contest between the U.S. and China[3]. Washington has remained embedded in the Indo-Pacific security architecture through minilateral and bilateral engagements with various countries. With the reset under Trump, the Indo-Pacific remains vulnerable amidst the shifting geopolitical calculus.

Importantly, the maritime security challenges in the Indo-Pacific are enormous, and urgent, especially for countries in the region with interests that are not just strategic, but are also shaped by their pursuit of integrity, sovereignty, and freedom to use the seas. In light of the new strategic realities, a new axis of maritime security cooperation appears to be forming in the Indo-Pacific. The new cooperation mechanisms are actively seeking to redefine maritime security to include various components and new aspects, such as technological cooperation, protection of undersea cables, maritime domain awareness, and humanitarian assistance and disaster relief.

New Domains of Cooperation

New domains are increasingly influencing the nature of the various cooperation mechanisms that appear to be emerging in the Indo-Pacific. While traditionally understood as a concept entailing naval cooperation and prowess, maritime security cooperation has increasingly become dynamic by including new facets of cooperation. These emerging domains are anchored on rapidly emerging technologies and other inter-linked factors that impact maritime security cooperation.

Cooperation on maritime domain awareness[4] has increasingly emerged as a new pillar of cooperation, with stakeholders seeking to ensure that a cohesive maritime security architecture can be shaped in the Indo-Pacific based on use of new monitoring technologies and assessment of the maritime and subsea domains. This format for cooperation appears to have gained credibility, given the growing interest of global stakeholders in extracting minerals and natural resources through seabed mining, the growing importance of undersea cables facilitating digital connectivity, and the depleting natural resources in the seas, including fisheries.

Furthermore, space cooperation appears to be emerging as a new domain in which like-minded partners are aligning their interests to monitor the oceans[5]. Therefore, a vertical expansion of deepening maritime security cooperation appears to be apparent.

New Mechanisms of Cooperation

New approaches to maritime security cooperation are useful in identifying core areas for which cooperation mechanisms can be built, and for constructing meaningful strategies. The increasing retreat of the U.S. from global theaters marks a critical vulnerability for the Indo-Pacific region, given Washington's historical role in shaping and bolstering cooperation frameworks. Arguably, the U.S. has remained at the heart of most groupings and initiatives that have emerged in the region.

However, this moment of seeming crisis has fast emerged as a critical opportunity for likeminded countries to adopt new cooperation mechanisms. Donald Trump's foreign policy agenda appears to be anchored on prioritizing U.S. economic gains, even at the cost of rendering global theaters vulnerable to revisionist powers that seek to challenge the *status quo* of a free and open Indo-Pacific. This has propelled a vital recalibration in the way other countries are crafting strategies for the pursuit of their maritime security interests in the Indo-Pacific. Countries such as France, which have traditionally remained on the periphery of framing security architectures in the Indo-Pacific, have increasingly assumed a vital role in strengthening cooperation mechanisms in the region[6].

Meanwhile, the growing promise of the India-Australia-Indonesia partnership may provide a fillip to new partnership mechanisms based on share interests and security challenges[7]. Overall, the gradual retreat, or the shifting posture, of the U.S. seems to have galvanized efforts among likeminded countries to deepen and strengthen synergies to pursue mutual interests in the Indo-Pacific.

New Pivots in the Indo-Pacific

The recalibration of the strategic roles played by various countries in the Indo-Pacific, driven by the shifting realities in the region, appear to signal that the Indo-Pacific is fast emerging as a multi-polar strategic geography[8]. While many have contended that the Indo-Pacific has evolved as a theater of U.S.-China competition, marking a bipolar order, the changing posture of the U.S. has driven others to assume greater roles by exercising their strategic agency. However, the strategic compulsions driving cooperation in the Indian Ocean region appear to be distinct to those of the Western Pacific. In similar vein, the nature of the engagements of African countries and ASEAN countries in the Indo-Pacific are likely to continue to depend on their strategic priorities.

The shift in the U.S. strategy and outlook towards the Indo-Pacific has led to three main trends that are reshaping the nature and character of maritime security cooperation in the region. First, new areas of cooperation are emerging in the region, in tandem with rapid advances in technology. Second, new cooperation frameworks have emerged in the region which seek to mitigate the strategic vacuum created by the changing U.S. posture. Third, while traditionally understood as a strategic theater of bipolar contest between the U.S. and China, the Indo-Pacific is fast emerging as a multipolar maritime geography with multiple pivots shaping the regional maritime security architecture.

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The Transformation of Mali's Jihadist Insurgency: New Trends and New Challenges

by **Rida Lyammouri**

The jihadist insurgency in Mali has been transformed in recent years, and new trends continue to emerge. Though Mali has been carrying out aggressive counterterrorism operations against jihadist groups since 2012, these groups continue to transform, adapt, and expand. A jihadist group affiliated to al-Qaeda, known as *Jama't Nusrat al Islam wal Muslimeen* (JNIM), is now conducting drone attacks, putting pressure on major cities. It is also engaging in economic warfare by blockading major highways to suffocate the Malian economy.

Urban Centers Under Threat

JNIM has demonstrated its capability to conduct symbolic and high-impact attacks in and around Bamako. For instance, in July 2022 the group carried out a dual suicide bombing at Kati military base[1]. In September 2024, it coordinated attacks on the Gendarmerie School and Air

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Base 101 inside the capital[2]. Similar attacks followed in 2025 against key cities including Timbuktu, Koulikoro, Ségou, and Mopti. The JNIM insurgency in Mali has so far concentrated mostly on rural areas and these large-scale attacks on urban centers mark a significant escalation, showing JNIM's capability to infiltrate secure areas, causing significant casualties and damages. While these attacks remain rare, JNIM has both the intent and capability to launch further targeted operations against military, government, and strategic sites.

By attacking cities, JNIM aims to spread fear and to weaken public trust in the junta's ability to protect urban areas, including the capital Bamako. However, JNIM appears to have no intention to seize control of towns. Attacks on cities demonstrate an evolving strategy aimed at disrupting city-level security, pressuring government forces, and shaping public perception of state weakness.

Emerging Use of Drones by Armed Groups

The use of unmanned systems is transforming armed conflicts in Africa in general, and Mali in particular. Drone use is not limited to state forces; the concern today is their increased use by non-state armed groups. While recent years saw Malian forces acquire military drones, jihadist and rebel group FLA (Liberation Front of Azawad) has adopted and mastered the use of Vertical Take Off and Landing (VTOL) and First Person View (FPV) drones. Most drone attacks recorded by non-state groups in Africa have occurred in Mali, with a surge observed in early 2025, which has continued to increase throughout the year[3]. JNIM-instigated drone attacks rose sharply in Mali, with more than twice as many drone incidents in 2025 than in 2022 to 2024[4]. The surge in JNIM and FLA drone attacks in Mali indicates a major tactical shift that increases the risks to the Malian security forces. By using explosive drones with greater frequency and coordination, groups such as FLA and JNIM undermine local defenses and introduce a harder-to-predict threat.

JNIM and FLA drone capability continues to improve. Both groups are using drones for surveillance and pre-strike target identification, with increased precision and impact. The groups have already published propaganda videos showing attacks on security forces from an aerial view in Mali, and in neighboring Burkina Faso. Malian and Sahelian militaries should take measures to prevent drone attacks, in the context of evident current gaps in detection and response. African countries facing threats of drone use by non-state armed groups should acquire anti-drone defense systems, to enable their security forces to take countermeasures.

This development of drone use by JNIM and FLA raises the risk of surprise attacks, operational disruption, and restricted mobility, particularly with the recent expansion of JNIM into southern regions that were previously seen as secure.

JNIM Expansion and Economic War

While the JNIM insurgency was previously limited to northern and central regions of Mali, recent years have shown the group's intention to establish itself in southern and western regions. Since 2022, JNIM has increased its presence in Kayes and Sikasso regions, initially through preaching sessions and by building networks. In

July 2025, JNIM carried out coordinated attacks against security forces in Kayes region, near Mali's borders with Senegal and Mauritania. In same month, JNIM announced it would blockade major routes connecting Mali to Senegal and Mauritania, including the Dakar-Kayes-Bamako Road, and the Bamako-Nioro-Mauritania Road. These two strategic towns, Kayes and Nioro, are two economic centers of western Mali. Located on the RN1, Kayes serves as a gateway for all food and fuel supplies from Senegal destined for Mali. Nioro is located on the main road linking Mali to Mauritania. These events have confirmed JNIM's plan to engage in economic warfare against the Malian region by targeting this major economic hub.

The JNIM blockade ramped up significantly in September 2025. In multiple attacks, JNIM targeted and destroyed between 90 and 130 fuel tankers from Senegal[5]. Between September 3 and 9, 2025, attacks multiplied along the main roads surrounding Bamako, spreading terror along the corridors connecting the capital to the ports of Dakar, Conakry, and Abidjan. As well as destruction of tankers, a military post was seized, unlawful checkpoints were set up, travelers were searched, passengers were subjected to extortion, and vehicles were burned or machine-gunned. Six Senegalese truck drivers were even taken hostage, before being released twenty-four hours later[6].

As a landlocked country, Mali depends heavily on fuel, foodstuffs, and other important goods transported from Senegal. JNIM's clear intent is to destabilize the Malian economy and put further pressure on the Malian regime. The jihadist insurgency in Mali has entered a new phase, and this unprecedented operation reveals JNIM's new strategy, which aims to suffocate Mali's economy. Gold mines, producing the country's primary export commodity, are found in the Kayes region, near the Guinean and Senegalese borders. Further south, in the Sikasso region, cotton fields, source of the country's second largest export commodity, make up the landscape, along with gold and lithium mines. And the Koulikoro Basin, east of the capital, is home to most of the country's industrial base. The economic importance of these areas has prompted JNIM to engage in regions far from its strongholds in northern and central regions of Mali.

Conclusion

These new trends demonstrate the transformation of jihadist insurgency in Mali putting further pressure on the Malian authorities. JNIM demonstrates its capability to quickly adapt its mode of operations. While the group have no current intentions to control major cities, it shows capabilities to carry large-scale attacks against urban centers, including the capital Bamako. Within months JNIM was also able to acquire materials and knowledge to build the capacity to deploy drones. Finally, after more than a decade of violent attacks JNIM has opened a new front and new strategy, and waged economic warfare.

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A Multilateral Mirage? Rebuilding Security Trust After the Gaza and Ukraine Wars

by **Bilal Mahli**

In recent years, international security cooperation has been severely undermined by intensifying great-power rivalries and the deepening politicization of multilateral diplomacy. The wars in Ukraine and Gaza have crystallized this fragmentation, revealing sharp divisions in how conflicts are perceived, condemned, and addressed across regions. Institutions once designed to foster global consensus—most notably the United Nations Security Council—have struggled to respond effectively, paralyzed by vetoes, competing interests, and geopolitical mistrust. As a result, security governance has become increasingly ad hoc, reactive, and shaped by spheres of influence rather than by shared norms.

Yet the urgency of transnational threats—from regional wars to terrorism and cyber conflict—makes renewed cooperation more vital than ever. This essay asks: Can security trust be

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rebuilt in a polarized world? If so, what forms might it take—and which actors are best placed to lead the way?

The Collapse of Shared Norms

The erosion of trust in global security institutions has become one of the defining features of the post-2022 international order. The United Nations Security Council, once central to crisis response and norm enforcement, is increasingly paralyzed—hamstrung by vetoes, clashing strategic interests, and a growing disconnect between its structure and today's geopolitical realities. The wars in Ukraine and Gaza have laid these limitations bare.

In Ukraine, the principle of territorial integrity has been vigorously defended by Western powers through military, political, and economic support. In Gaza, however, Israel's military campaign—resulting in tens of thousands of civilian deaths, the destruction of critical infrastructure including hospitals and refugee shelters, and repeated obstructions to humanitarian relief—has raised grave concerns about systematic violations of international humanitarian law. Despite the severity of the crisis, international accountability mechanisms have remained ineffective, largely due to Security Council paralysis and the political shielding of Israel by some of its closest allies.

For many observers, particularly in the Global South, this disparity illustrates the selective application of international norms and deepens skepticism toward the neutrality of the global rules-based order. The perceived double standard not only undermines the credibility of international law, but also weakens the moral authority of the institutions that claim to uphold it.

The crisis in Sudan and ongoing instability around the Red Sea further expose a fragmented system of responses shaped less by legal principle than by geopolitical alignment. Competing narratives over the legitimacy of force, civilian protection, and national sovereignty are steadily eroding long-standing norms and institutions.

More fundamentally, these discrepancies have corroded trust between blocs. For many states in the Global South, multilateral platforms no longer function as neutral spaces for conflict resolution but as arenas where power is projected and grievances are ignored. This breakdown in normative consensus—between North and South, West and non-West—poses a direct challenge to the idea of a shared, rules-based international order.

What Confidence-Building Could Look Like

In a global environment where trust has become a scarce resource, the revival of confidence-building measures (CBMs) offers a promising avenue to reduce tensions and reopen channels of dialogue. Originally developed during the Cold War to prevent miscalculation and escalation between rival blocs, CBMs focused on transparency, communication, and limited cooperation even amid deep political divides. Today, with major powers increasingly unwilling or unable to agree on global security norms, CBMs—adapted to a multipolar, fragmented world—could play a renewed role in re-establishing baseline trust.

This would require moving beyond formal diplomatic tracks and embracing Track II diplomacy, in which academics, religious leaders, civil society actors, and cultural figures facilitate informal exchanges that can complement—or even precede—official negotiations. In parallel, neutral third-party mediation by strategically non-aligned states has gained traction. Countries such as Oman, Qatar, and Morocco have maintained open channels with multiple sides in volatile regions, positioning themselves as effective mediators in conflicts where traditional powers have lost credibility.

Examples abound: Morocco has played a central role in convening Libya's rival factions. The African Union has also taken on a more prominent mediation role—in Ethiopia's Tigray conflict, in Sudan, and in ongoing efforts in the Democratic Republic of Congo—despite limited resources. In Gaza, Qatar has supported delicate hostage negotiations and de-escalation efforts, while the China-brokered rapprochement between Saudi Arabia and Iran stands as a notable example of non-Western actors successfully mediating regional rivalries.

These examples point to a broader trend: where global consensus has faltered, regional and pragmatic diplomacy is stepping in. Reinvigorating CBMs—rooted in trust-building, inclusiveness, and neutrality—could help lay the groundwork for more structured cooperation in the future, especially in the absence of fully functioning global mechanisms.

Regionalism as a Path Forward

With global security institutions increasingly gridlocked, regional organizations and coalitions are emerging as pragmatic alternatives for addressing today's complex threats. These platforms—less constrained by global rivalries—serve as laboratories for more adaptive, context-sensitive forms of cooperation. While not without limitations, they increasingly offer credible avenues for rebuilding trust and enabling collective action where global mechanisms fall short.

The African Peace and Security Architecture (APSA) exemplifies this trend. Despite chronic underfunding, APSA has assumed growing responsibilities in conflict prevention, early warning, mediation, and peace support operations across the continent. It demonstrates that regional ownership of security responses can produce more tailored and legitimate outcomes, particularly when backed by strong political will.

In contrast, the Arab League has often struggled to maintain cohesion and relevance. Yet within the region, new mini-lateral formats—such as the Gulf Cooperation Council's evolving security consultations or ad hoc coalitions in the Red Sea—have shown greater agility. These smaller, interest-based groupings are emerging as more flexible frameworks for addressing localized threats, often sidestepping broader ideological divides.

At the same time, interregional dialogues are expanding. Platforms such as the AU–EU partnership and MENA–BRICS engagements are creating new channels for issue-specific cooperation that bypass deadlocked multilateral bodies. These mechanisms allow functional collaboration on common priorities—such as migration, counterterrorism, or climate-security—despite broader geopolitical tensions.

Crucially, regional trust is often easier to build than global consensus. Shared geography, interdependence, and cultural affinities can enable cooperation even among rivals. While these regional solutions are not substitutes for global governance, they can serve as stepping stones toward restoring broader cooperation—one coalition, one issue at a time.

Policy Proposals and Outlook

To revive meaningful security cooperation in a fragmented world, greater investment is needed in the tools that foster trust—especially within and across regions of the Global South. Strengthening Track II networks—including academic, civil society, and religious dialogue platforms—can help rebuild communication channels where formal diplomacy is constrained. These informal mechanisms often lay the groundwork for breakthroughs in tense environments.

Institutions such as the African Union's Mediation Support Unit should be reinforced to enhance both operational capacity and political relevance. Likewise, joint conflict prevention missions—whether AU–UN hybrid models or regional deployments—deserve renewed attention and resourcing. Beyond this, cross-regional working groups, such as AU–ASEAN or Latin America–Africa, could address shared challenges in peacekeeping, demobilization, and post-conflict stabilization.

Crucially, mid-sized powers with multi-aligned foreign policies and regional credibility can act as connectors in this environment. Countries that maintain strategic neutrality and diplomatic agility are well positioned to bridge divides and convene issue-based coalitions.

Multilateralism may seem like a mirage in today's geopolitical landscape. Yet by rebuilding trust incrementally—through regional, inclusive, and flexible mechanisms—its outlines can begin to take shape once more. The future of global security may well depend on these modest but essential efforts.

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European Defence: No Nukes?

by **Antonio Missiroli**

Since the return of President Donald Trump to the White House, doubts have reemerged about the President's readiness to maintain and live up to the commitments enshrined in the NATO treaty, notably its Article 5. These doubts have been reinforced by the prospect of a partial U.S. military disengagement from Europe. A sizeable and swift drawdown of American forces and capabilities, and their redeployment to other theaters (or to 'homeland' security) would indeed put the Europeans in a critical situation. But while U.S. troop reductions would probably be manageable, if phased in an orderly way and in coordination with allies, the U.S. nuclear 'umbrella' seems irreplaceable, especially in the light of Moscow's recurrent saber-rattling (including recurrent intrusions into the airspace of NATO countries) and the recent dismantling of all strategic arms control agreements (the last remaining one, New START, expires in 2026).

Antonio Missiroli, Senior Advisor, ISPI.

Powers And Postures

The practice of *extended deterrence* adopted by Washington since the start of the Cold War implied—notwithstanding its doctrinal evolution over time—a commitment to deter and, if necessary, respond in defense of allies and partners (and not only in Europe) across the whole spectrum of potential nuclear and non-nuclear scenarios. Within NATO, this has been accompanied since the 1960s by the practice of *nuclear sharing*: the deployment by Washington of a limited number of warheads in certain locations across the Euro-Atlantic area, on the basis of negotiated agreements with host countries, while keeping full custody and control over them, in line with the provisions of the Non-proliferation Treaty (NPT). While crews manning dual-capable aircraft carrying the weapons include other allies, their possible use is subject to prior authorization from the White House.

Without ever being formally linked to Article 5, this practice and these arrangements have represented the cornerstone of NATO's collective deterrence and defense strategy and, as such, also a recurrent source of anxiety among European allies over whether Washington would be actually prepared to unleash Armageddon and put America's 'homeland' at risk, in order to protect (Western) Europe. As Denis Healey, the longest serving British Defence Secretary (1964-70), once famously put it, "*it takes only a 5 per cent credibility of American retaliation to deter the Russians, but 95 per cent to reassure the Europeans*". This is also why Trump's elusive rhetoric about Article 5, and his loathing of NATO's "*freeloaders*" have put many Europeans on edge, especially since Moscow has hardened its nuclear doctrine by lowering significantly the threshold for resorting to its arsenal, and by even deploying warheads to Belarus.

Britain's nuclear capabilities are also at the disposal of the Alliance, though not deployed abroad. Since the end of the Cold War, London has limited its delivery systems to submarines only, and, even if its national deterrent remains 'operationally independent', has increased its overall reliance on Washington (starting with the Trident sea-air ballistic missiles that are built, tested, and maintained across the Atlantic). In November 2024, right after Trump's election victory, outgoing President Joe Biden and Prime Minister Keir Starmer extended indefinitely their bilateral Mutual Defense Agreement, originally signed in 1958 and traditionally renewed every five or ten years, under which the US shares its nuclear technology and infrastructure with Britain.

France has adopted from the start the doctrine and practice of *minimum deterrence*, based on the concept of 'strict sufficiency'. It is designed to deter any nuclear adversary by making the cost of a first strike unacceptably high through retaliation. Purely defensive in scope, and long reliant on the so-called 'triad' of delivery systems (land-based, airborne, and sea-based), the *force de frappe* currently includes both submarines—one of which always moves undetectably in deep waters to ensure the so-called 'second strike capability'—and dual-capable Rafale aircraft. Yet, it has never been assigned to NATO. France does not even participate in NATO's Nuclear Planning Group (NPG). The French capability remains under the exclusive political authority (*domaine réservé*) of the President of the Republic.

Shifts And Rifts

Over the past few decades, however, successive French Presidents have mentioned the possibility of deploying their nuclear umbrella to protect partners and allies, arguing that an attack against them would impinge also on the vital interests of France and thus justify its use (or the threat thereof). This started with Jacques Chirac, who in 1995 launched nuclear cooperation with Britain and went as far as to propose to Germany some form of "*concerted deterrence*" (*dissuasion concertée*). The language describing this 'European dimension' of the force de frappe, however, has always been very cautious, even after a now-famous speech delivered by Emmanuel Macron at the Ecole de Guerre in February 2020. The caution arises in part from domestic politics (the Gaullist consensus being that "*le nucléaire ne se partage pas*"), but also because a degree of ambiguity on strategic matters is often an essential part of communication, as deterrence tends to happen first and foremost in the head of the potential aggressor.

Nevertheless, in 2022 an Italian air-refueling tanker took part in a French nuclear exercise for the first time, and in March 2025, Paris hosted NATO ambassadors at the Istres air force base, near Marseille, so they could learn more about the French deterrent. Some analysts argue that more joint exercises and training, and France's attendance (as an observer) at meetings of the NPG and its subordinate bodies, would further contribute to building mutual trust, while also sending a strong signal to Moscow.

In late June 2025, in conjunction with the NATO summit in The Hague, the United Kingdom government made public a plan to buy a squadron of dual-capable F-35 fighter jets to join NATO's airborne nuclear mission, and the French President announced that a fourth nuclear air base will soon be reopened near France's border with Germany. In July 2025, in their Northwood Declaration, London and Paris also pledged for the first time that they would closely coordinate the use of their nuclear weapons, and would jointly respond to defend Europe if it came under "*extreme threat*". This provides an additional layer of protection alongside NATO's collective defense guarantees.

Even if taken together, however, the British and French nuclear arsenals are not even remotely comparable to those of the U.S. and Russia in terms of numbers and types of warheads and delivery systems. and both European powers' arsenals have already been matched (and will soon be overtaken) by China's. They could not, in other words, entirely replace the U.S. umbrella, although they would surely influence the calculation of any potential aggressor. This may help understand why Germany recently suggested talks with Paris and London about possible forms of consultation and coordination (including Berlin's co-funding of their programs), and why Poland has openly floated the idea of hosting nuclear warheads (including French ones).

Among European Union members, however, there still is no common position on the issue, apart from strict adherence to the NPT (which implies that no country that doesn't already have nukes could acquire them). Attitudes vary enormously across EU member states, ranging from France's own status now (after Brexit) as its only nuclear power, to nuclear-hosts Germany, Italy, Belgium, and the Netherlands, up to Austria and Ireland, which are among the 94 signatories of the Treaty on the Prohibition of Nuclear Weapons—the so-called 'Ban Treaty' adopted by the United Nations General Assembly in 2017 and in force since 2021—which forbids the development, testing, production, stockpiling, stationing, transfer, use, and threat of use of nuclear weapons.

In a world in which strategic arms-control arrangements are now almost non-existent, and possession (or not) of nuclear weapons is becoming a major indicator of vulnerability to external coercion and even outright aggression (as shown by the different cases of North Korea, Iran, and Ukraine), Europeans may indeed have to start revisiting their posture(s).

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Trump's Diplomacy in Eurasia: Predictable Failures and Partial Wins

by **Eleonora Tafuro Ambrosetti**

When, during his presidential campaign, Donald J. Trump vowed to end Russia's 2022 war against Ukraine within 24 hours, few took him seriously. Nevertheless, his emphasis on peacemaking revived hopes that negotiations might finally begin—even if not on his timetable. Under the previous U.S. administration, a diplomatic settlement had seemed largely unthinkable; Trump at least reopened the political space to discuss one.

Nine months into his presidency, however, results remain scant. Direct talks with Vladimir Putin in Alaska in August failed to produce even a temporary ceasefire. That setback redirected Trump's attention to another long-standing post-Soviet dispute: Armenia versus Azerbaijan. He appeared somewhat more effective there, but the two contexts—and the conditions for U.S. diplomacy—differ markedly, and even the

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South Caucasus "success" is only partial.

Best Intentions, Poor Results: Ukraine

A month after Trump taking office, U.S. and Russian delegations met in Riyadh, Saudi Arabia. Although framed as an effort to improve ties, the agenda focused on a Ukraine ceasefire, reviving the Black Sea grain deal, and pausing strikes on energy and civilian infrastructure. A second round on 23–25 March involved separate U.S. meetings with Russian and Ukrainian delegations. Despite upbeat White House briefings, progress was minimal: a U.S.-backed 30-day ceasefire accepted by Kyiv was rejected by Moscow.

Hopes were briefly renewed in August when Putin visited Alaska—the first trip by a Russian leader to U.S. soil in a decade. The highly publicized summit ended without concrete progress, drawing heavy criticism for the red-carpet welcome. A follow-up at the White House, this time with seven European leaders and Volodymyr Zelensky, yielded little beyond photos. For now, the window for serious talks remains narrow, and timelines remain uncertain.

Since then Trump has emphasized that peace must be negotiated directly by Moscow and Kyiv—a prospect that remains distant for now. His foreign adviser, Steve Witkoff, has kept channels open with Ukrainian officials. Meanwhile, Washington authorized a major arms sale to Kyiv, financed by several NATO countries, and threatened high sanctions and tariffs on Russia—but only if European allies halt purchases of Russian oil. In parallel, some of Russia's deadliest strikes on civilians—and even brief incursions into NATO airspace in Poland and Romania—drew no strong U.S. response.

Trump is caught between restraint-first rhetoric and the desire for a legacy-defining deal. Patience is essential in peacemaking, and early failures can precede breakthroughs. As Michael Hirsh has noted, successful diplomacy usually requires high-stakes compromises and often follows initial setbacks. Yet the recurring cycle of hype and stalemate risks eroding Trump's credibility and morale in Ukraine and across Europe.

Limited Success in the South Caucasus

On 8 August, Azerbaijani President Ilham Aliyev and Armenian Prime Minister Nikol Pashinyan met Trump in Washington. The White House billed the meeting as historic, and some commentators even floated a Nobel Peace Prize. In reality, no peace treaty was signed.

Instead, the leaders endorsed a seven-point declaration committing to pursue peace and regional connectivity, while expressing gratitude to Trump for his mediation. In parallel, the U.S. government signed four memorandums: one with Azerbaijan to establish a Strategic Working Group to develop a Charter on Strategic Partnership; and three with Armenia on connectivity, an AI and Semiconductor Innovation Partnership, and an Energy Security Partnership.

Trump also advanced a proposal to address a core sticking point: Baku's access to its exclave, Nakhchivan, via Armenia's Syunik/Zangezur corridor. Baku seeks "unimpeded" transit, free of Armenian customs and security checks, and rejects Russian control. Yerevan, in turn, insists on full sovereignty and remains wary of Moscow's involvement, given frayed relations. Both sides tentatively welcomed a U.S.-built 43-km transportation link, dubbed the Trump Route for International Peace and Prosperity (TRIPP), to be constructed by an American company and placed under neutral monitoring.

For all that, the Washington outcome represents a framework rather than a final settlement, and it remains fragile. Its success depends on the United States delivering TRIPP and facilitating the reopening of other blocked routes. Meanwhile, bilateral talks continue, with Baku pressing for amendments to Armenia's constitution to remove indirect references to union with Nagorno-Karabakh—a politically sensitive move for Yerevan that could strain Pashinyan's domestic support.

Two Very different wars

The contrast between the two arenas is stark. The Russia-Ukraine war remains active, with "victory" undefined and the balance of forces still contested. By contrast, the Armenia-Azerbaijan conflict has entered a post-war stage: Armenia suffered clear military defeat and now seeks peace dividends, while Russia's influence as an external arbiter has waned. These conditions are more conducive to incremental agreements—but even here, optimism should be tempered. Peace is more than the absence of war; the true measure of Trump's role will be a signed treaty between Baku and Yerevan and the launch of sustainable trade and connectivity projects.

If that occurs, the Caucasus chapter would still represent a limited win rather than a breakthrough authored in Washington. It would reflect broader structural shifts—the collapse of the old Nagorno-Karabakh status quo, Armenia's strategic recalibration, and Moscow's diminished leverage—more than any single mediator's skill. Ukraine, by contrast, will remain the defining yardstick. Without tangible progress there, Trump's Eurasian diplomacy risks being remembered less for bold deals and more for promises that never fully materialized.

Economy and Development

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Global Disequilibria: The End of the Old Global Order

by **Carlo Altomonte**

Thirty years after the creation of the WTO, globalization has left the world economy with deep and persistent asymmetries. At the core lies the financial imbalance of the United Statesthe world's largest debt or while Europe, Japan, and China remain major creditors. According to the U.S. Bureau of Economic Analysis, America's Net International Investment Position (NIIP) reached –$24.6 trillion in early 2025, equivalent to roughly –95 % of GDP, or one-quarter of global output. In contrast, Germany and Japan each hold NIIP surpluses exceeding 60 % of GDP.

This gap is not merely an accounting anomaly; it reflects the progressively distorted evolution of the global economic architecture. Conceived in the 1990s as a system in which trade and growth would advance hand in hand across nations, globalization gradually transformed into a model that, while enabling sustained economic

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growth, positioned the U.S. as the consumer of last resort, absorbing the excess savings of the rest of the world. In return, the dollar's reserve-currency status, a deep and relatively safe debit market, and the rise of tech giants in the equity market provided global liquidity and stability to the U.S. economy. This arrangement, despite its imbalance, sustained the global economic order for decades.

Yet that order is now fraying. The very mechanism that once allowed the U.S. to act as the borrower of last resort has become toxic for the country itself. Foreign capital inflows long a pillar of U.S. strength have kept the dollar persistently overvalued, up more than 40 % on a trade-weighted basis since 2010, thereby depressing domestic manufacturing and wages. A large body of research documents how regions exposed to import competition experienced significant job losses and political radicalization, while IMF studies have linked financial globalization to rising inequality and a shrinking labor share. The outcome has been an economic geography of resentment that redefined U.S. politics and laid the foundations for the MAGA movement.

Since the 2008-2010 financial crisis, as U.S. households and firms began saving more, the federal government has become the primary absorber of global capital, driving large public deficits and pushing public debt to around 120 % of GDP – the domestic mirror of the country's external imbalances. In essence, the U.S. social contract can no longer sustain the costs of serving as the world's debtor of last resort.

There is also a geopolitical dimension to these disequilibria: the U.S. external deficit mirrors the surpluses of China, Germany, and Japan. China's mercantilist model—high savings, low consumption, and aggressive industrial policy—has reshaped the global production map. Its consumption-to-investment ratio of roughly 1.4, compared with 2.5–3.5 in other middle- and high-income economies, reveals a structural bias toward excess capacity. The consequence has been the progressive hollowing-out of manufacturing in the U.S. and parts of Europe. The strategic implication is clear: industrial scale—and therefore technological power—has shifted toward China. This further underscores why the current financial disequilibrium is unsustainable from the U.S. perspective.

Hence, viewed through the lens of balance-of-payments accounting, today's U.S. protectionism is not merely an expression of populist anger but rather a crude and belated attempt to correct a deep external imbalancean effort to reduce the external deficit by compressing imports and reviving industrial capacity. It is, admittedly, a disorderly adjustment—one that replaces cooperative coordination with unilateral coercion—but it exposes the same underlying truth: the old global equilibrium was, in the long run, unsustainable.

If the U.S. is now seeking—through protectionism and fiscal nationalism—to restore a sustainable external position, its partners must also adapt. Europe, long accustomed to relying on external demand, can no longer depend on American consumption to absorb its output. The continent must pivot toward an investment-led growth model, as outlined in the Draghi and Letta reports: mobilizing its vast savings inside the Union, deepening fiscal and capital-market integration, and channeling resources into green, digital, and defense infrastructure. Reducing its structural current-account surplus is not a concession to Washington; it is a prerequisite for Europe's own strategic autonomy.

China, for its part, faces the mirror image of the same imbalance. Its growth model—anchored in high savings, industrial subsidies, and constrained household consumption—has generated chronic surpluses and excess capacity that destabilize global trade. A durable rebalancing will require shifting from sustaining production to sustaining demand: strengthening social safety nets, raising household incomes, liberalizing the service sector, and allowing the renminbi to appreciate in line with economic fundamentals.

Only through such a three-way adjustment—U.S. import compression, European investment expansion, and Chinese consumption growth—can the world economy escape the vicious cycle of surpluses and deficits that fuels financial fragility and political resentment. The current U.S. response may be clumsy and conflict-ridden, but it points to a reality that can no longer be avoided: global stability now depends on a deliberate redistribution of demand and production across the major economic poles. The alternative is a continued state of disequilibrium, mounting protectionism, and the gradual unraveling of the international order built over the past thirty years.

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Inequality and Polarization in Latin America: The Need for a New Fiscal Policy

by **Antonella Mori**

Latin American and the Caribbean (LAC) countries are characterized by high levels of income inequality, which increases political and social polarization. Fiscal policy can play a very important role in improving income distribution, but in LAC, fiscal policy has failed to achieve this goal. A well-designed fiscal policy promotes cooperation by citizens, which is essential for building and maintaining social cohesion. When citizens perceive that the exchange of taxes for services is fair and effective, they prioritize collective benefits over personal gain. Taxation provides the necessary funding for public goods and services that reduce inequality and foster social cohesion, while social cohesion and cooperation create a more favorable environment for tax compliance by building trust, and a sense of shared responsibility in a society.

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A very important reason for the highly unequal income distribution in LAC is the low redistributive impact of fiscal policy. This becomes evident when comparing market income (total household income from market sources) and disposable income (market income plus government transfers, and minus direct taxes on income, wealth taxes, and social-security contributions). In LAC, market income inequality is very similar to that observed in developed countries. But when considering disposable income, developed countries are much more equal than LAC countries.

Redistribution, in fact, is a defining feature of modern welfare states in developed countries, which redistribute large portions of their GDP via taxes, transfers, and public goods. Although LAC countries are very different, tax systems tend to have low or negative redistributive impacts for various reasons. First, in LAC countries, indirect taxes, which tend to be regressive, account for a high share of the tax revenues collected, compared to developed countries. Second, LAC countries collect relatively little revenues from personal income and property taxes, which are often highly progressive taxes, and informality reduces the tax base. In addition, significant parts of public expenditures tend to be regressive, e.g. on tertiary education and pensions.

Inequality fuels polarization and polarization facilitates democratic erosion. A 2024 large cross-national statistical study found that economic inequality is one of the strongest predictors of the erosion of democratic norms and institutions[1]. In highly unequal settings, leaders can cultivate a sense of grievance among citizens, who feel they are left behind, a grievance that is sometimes aimed at economic and social elites, and sometimes at minorities. Unequal societies favor polarization between parties: citizens view the other parties as full of antagonists and as representing policies that are anathema. Voters can lose confidence in democratic institutions, which are considered deeply corrupted, and the decline in confidence plays into the hands of undemocratic leaders.

Exploring how fiscal policies can reduce inequality is important to promote more inclusive and equitable economic opportunities, and to reduce the risk of political polarization and democratic erosion. LAC countries have a large tax potential to generate resources to fund public goods and services. In 2023, tax-to-GDP ratios in the LAC region ranged from 11.6% in Guyana, to 32.0% in Brazil. Three-quarters of LAC countries recorded a tax-to-GDP ratio below 25%, whereas more than three-quarters of Organization of Economic Co-operation and Development countries had ratios above this level[2].

More than 80% of LAC citizens believe that income distribution is highly unequal in their country. Around 70% support an active role for the state in income redistribution between rich and poor[3]. However, inequality is still very high, because fiscal policies have not been reformed to be more redistributive. Possible explanations are that citizens have a low understanding of the redistributive impact of different tax reforms, and a low trust in public institutions.

Based on an online survey of 12,000 respondents in eight Latin America countries, a 2025 study has found evidence of individuals not supporting more progressive tax reform, because they underestimate the regressivity of current taxes, especially value-added taxes. These findings show the importance of public information to shift support for redistributive fiscal policy reforms[4]. Another study, from 2021, using large-scale social economics surveys for the U.S., similarly found that providing people with information about the effectiveness of redistributive tax policies increased their support for such policies. The study showed that people who trust the government were more likely to support more progressive tax policy. A stronger belief in government reliability should, therefore, increase demand for redistribution. Citizens support a larger welfare state and stronger redistribution if they believe that corruption is low, so that wasting of money is limited, and benefits effectively go to those who need them most[5].

Countries with more revenue can invest in better public-service delivery, thus increasing trust in the state and strengthening social cohesion, which feeds back into a greater capacity to mobilize revenue in the future. By building trust through effective governance of revenue and expenditure systems, governments will be able to reduce inequality. Fiscal policies that reduce inequality promote more inclusive societies, lowering the risk of political polarization and democratic erosion.

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Hoping Against Hope: Revitalizing Hope and Cooperation for Development

by **Malancha Chakrabarty**

Mainstream economics have traditionally focused on rationality and individual pursuit of welfare, seldom concerning themselves with the role of hope or optimism in development. Recent years, however, have seen a change of heart. Hope is increasingly seen as psychological capital that drives success. Economists Abhijit Banerjee and Esther Duflo assert that the deficit of hope plays a significant role in keeping people poor, and hope plays a critical role in lifting people out of poverty. Hope is also a driving force in international development, underpinning global action to address poverty, climate change, and conflict.

Sadly, for millions of people across the globe, there is little to hope for in current times. The world is witnessing the highest number of conflicts since the Second World War.[1] After a series of shocks, the global economy is facing another setback with heightened trade tension

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and uncertain tariffs imposed by the United States. According to the World Bank's Global Economic Prospects June 2025 report, the global GDP growth rate will shrink to a mere 2.3% in 2025. By 2027, the global GDP growth rate will average 2.5% over the 2020s—the lowest rate since the 1960s[2]. Low global growth will be felt most in developing countries. While *per-capita* GDP in high-income countries will recover to pre-pandemic levels by 2027, *per-capita* GDP in developing countries will be 6% lower than pre-pandemic levels in 2027[3]. The report also finds that it would take about two decades for developing countries to just recover from the economic losses of the 2020s[4].

Much of the developing world is reeling under a severe debt crisis. Developing countries' external debt soared to a record $11.4 trillion in 2023, equivalent to nearly 99% of their export earnings[5]. About 38% of developing countries, mostly African countries, spend over 10% of government revenues on interest payments. Poor economic prospects are reflected in fewer job opportunities. Youth unemployment remains a pressing problem in most developing countries. Most people are employed in the informal sector, with low wages, poor working conditions, and a complete lack of social protection. Working poverty persists in most developing countries, with nearly 240 million workers suffering from extreme forms of working poverty[6]. Africa is worst affected, with nearly one-third of its 420 million young people aged between 15 and 35 unemployed. The continent's rapidly rising population presents a massive challenge, as more jobs are required for new entrants to the labor force. But bleak global economic prospects and high debt distress has little to offer young Africans.

Only 35% of United Nations Sustainable Development Goal (SDG) targets are on track, or are seeing moderate progress[7]. Reduction of global poverty and hunger has stalled. With the onset of the pandemic, poverty reduction slowed, and in 2022 global poverty rose for the first time after years of consistent decline. At the current rate, the global goal of reducing extreme poverty to 3% of the global population will not be met in the next decades[8].

Currently, about 8.2% of the global population, or 673 million people, are experiencing hunger. Low-income countries have been hit hard with high food-price inflation. Over 20% of Africa's population and 12.7% of western Asia's population currently face hunger[9]. The climate crisis is raging, characterized by the continuous rise in temperatures and increasing extreme weather events. The poorest countries and communities are worst affected.

Global commitment to the SDGs has diminished. The world's largest donor, the U.S. has withdrawn from the international development scene. Within hours of returning to office, President Donald Trump froze all U.S. assistance programs, subsequently dismantling USAID. In addition to withdrawing from the Paris climate agreement, in March 2025, the U.S. administration formally denounced the SDGs at the 58th Plenary Meeting of the UN General Assembly[10]. Though the European Union does not share the antagonistic U.S. position, its countries have cut their aid budgets drastically, and it is in no position to fill the gaps left by the U.S.

Private finance was touted as the new vehicle to mobilize trillions of dollars needed for sustainable development. Though mobilization of private finance through official development finance interventions increased between 2012 and 2023, volumes were way below actual financing needs. Furthermore, middle-income countries were the main beneficiaries, accounting for nearly half of the total mobilized private finance[11]. Only 12% of the total mobilized private finance was directed toward the least-developed countries (LDCs).

Amidst the escalating conflict, geopolitical tensions, tariff wars, and a self-interest driven U.S., the pursuit of sustainable development, a universalist development agenda that dreamt of 'leaving no one behind', looks difficult. Where and how can hope then be found?

Difficult though it seems, the path towards sustainable development lies in forging new partnerships and cooperation models. While the role of the Global North in international development is diminishing rapidly, the world is also witnessing a steep rise in development cooperation programs implemented by several countries outside of the Organization for Economic Co-operation and Development's Development Assistance Committee (DAC), including India, Brazil, and, most importantly, China. On the back of rapid economic growth, many of these countries expanded their development cooperation programs from the 2000s onwards. While China's development cooperation program, particularly its role in infrastructure development in developing countries, has garnered maximum attention, other countries, such as India, have rapidly expanded their development cooperation programs in terms of scale and scope since the early 2000s. India's development cooperation initiatives stand out for their many advantages over the approaches of other countries. India's approach emphasizes demand-driven development for mutual benefit, and its nimble character enables provision of low-cost development solutions to partner countries[12].

These southern donors refuse to accept OECD norms and practices. Their policy of equal partnership has found favor with other developing countries, which increasingly prefer their approach over donor-recipient hierarchies espoused by Western donors. Though the rise of the emerging donors from the South initially caused friction, most Western countries are increasingly willing to engage in triangular partnerships with emerging donor countries. Triangular cooperation is a development modality through which northern and southern development partners collaborate to share knowledge, or address development concerns in other developing countries. Triangular partnerships between like-minded northern and southern partners attempt to provide solutions to some of the most pressing development concerns. Though the approach presents many challenges, if all the three partners are committed, it can combine the best features of northern and southern development cooperation to deliver sound results on the ground[13]. Given the growing global development deficit, it is urgent that like-minded countries (from the North and the South) forge new partnerships to boost hope and development.

It is clear that the era of international cooperation characterized by billions of dollars being channeled towards global goals is largely over. New forms of international cooperation, involving smaller groups of countries with similar development interests, will be the norm. Delivering actual development will entail picking the right partners, appropriate development projects, and suitable technologies for self-sustaining progress: in other words, focusing on what can be done without the big players and big money. Southern donors and triangular partnerships between like-minded northern and southern countries will surely fail to close the vast gap in resources required for sustainable development, and development outcomes will thus be modest. However, such partnerships, even if moderately successful, will provide hope in a fractured world—something that is an essential prerequisite for development.

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After the Abandonment: The Case for a New Economic Diplomacy

by **Sunaina Kumar**

As if not enough was done to derail development in the five years following the pandemic, 2025 may well go down as the year when it actually was derailed. For this is the year when the Global North abandoned the development agenda. Early in 2025, the global programs for U.S. Agency for International Development (USAID), were abruptly dismantled, marking one of the fastest and largest donor exits in history[1]. Meanwhile, European countries, including heavyweight donors such as Germany and France, have announced major cuts to development assistance[2]. In the wake of rising security concerns and pressure from the United States to increase defense spending, traditional European donors, already grappling with costs of hosting refugees from Ukraine, have taken a step back.

Meanwhile, the global development leviathan, the United Nations, has struggled under

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mounting pressure, after drastic cuts in funding from the United States, the largest donor to the UN since 1945. The U.S. has initiated a withdrawal from the World Health Organization (WHO) and the UN Educational, Scientific, and Cultural Organization (UNESCO) as part of its proposed disengagement from international organizations. It has also declared it will no longer fund the UN Relief and Works Agency, the UN Human Rights Council, the United Nations Population Fund, and the World Food Program, impacting lifesaving programs on human rights, food security, and sexual and reproductive health. The setbacks to global action on health, climate, and education have exposed donor dependency, as well as the need to fix systemic vulnerabilities. The UN, now in its eightieth year, has, in response, launched the UN 80 Initiative to reform the organization, which faces budget cuts of $500 million next year, a 15 percent reduction from the previous year's budget of 3.7 billion[3].

More alarming than the financing shortfall is the unexpected attack by the U.S. on the Sustainable Development Goals (SDGs), the 17 universal goals that undergird the prized and lofty agenda for sustainable development. The U.S. denounced the SDGs and declared them "*adverse to the rights and interests of Americans*"[4]. It went further and demanded an "*overdue course correction on gender and climate ideology*" in the SDGs. Inching closer to the 2030 deadline, most SDGs are alarmingly off-track[5]. The idea of the SDGs, adopted in 2015 by 193 countries, which now seems like a throwback to an older order, may not survive the geopolitical tumult.

Filling The Gap

It's not yet clear what the long-term consequences of this year will be. The closure of USAID programs will have significant implications for health outcomes in low-income and middle-income countries (LMICs), reversing decades of progress in combating communicable diseases[6]. The relentless funding cuts imposed by the Trump administration against climate policy and science, and the U.S. withdrawal from international climate diplomacy, have affected global efforts to combat climate change.

The global political economy, which is undergoing a profound transformation, has further disrupted the development agenda. Weak growth and rising economic uncertainty are squeezing public budgets, leading to a Catch-22 for developing countries, which are faced with higher borrowing costs since 2020. Global public debt hit a record $102 trillion in 2024, making it harder for developing countries to invest in sustainable development[7]. A UN estimate shows that 3.4 billion people now live in countries that spend more on debt interest than on either health or education, underlining the need to make financial systems more inclusive, equitable, and effective.

The question arises: what is the Global South, which faces pressing development and environmental challenges, to do? How can it fill the gap created by the Global North? Budgets are shrinking at a time of rising global needs. Many of the development challenges of this century will be concentrated in Africa, which has the youngest and fastest-growing population globally, along with weak governance and political instability. This year's crisis presents both a challenge and an opportunity to the Global South, testing its ability to respond by delivering resources and leadership. Countries including India, Brazil, and Indonesia have been advocating for reforms in global systems to better reflect the demographic and economic realities of their regions.

A New Economic Diplomacy

The seemingly straightforward response to the crisis is for other countries, regional blocs, international institutions, and philanthropic actors to fill the gaps. There are examples and new models to draw from. Initiatives such as Gavi and the Global Fund for HIV, TB, and Malaria, demonstrate how pooling resources at the global level and channeling them efficiently to countries can deliver life-saving results[8].

The Global South needs to ensure it is leading from the front—even a small share of defense expenditure redirected toward climate resilience, healthcare, or education could significantly alter development outcomes. It could mobilize investments through philanthropy and the private sector, promote public-private partnerships, and commit to localizing development through local leadership and solutions. This would stand in contrast to the historical reliance on large, donor-driven international institutions.

In recent times, Global South countries have been adept at promoting coalitions and alliances based on shared experiences and challenges, whether around energy transitions, technology access, or pandemic preparedness. The Global South has the capacity to develop new forms of economic statecraft. This may be the moment to reimagine and act on a new economic diplomacy that promotes Global South-led development.

Greater cooperation between regional and economic blocs including ASEAN (Association of Southeast Asian Nations), BRICS (Brazil, Russia, India, China, and South Africa), and AfCFTA (African Continental Free Trade Area), offers the potential to create pooled investment funds. These groupings could also attract more private and foreign direct investment by integrating their markets. By combining their economic weight, they can strengthen collective bargaining power in negotiations on debt restructuring, infrastructure financing, technology transfer, and trade agreements. Global South-led economic diplomacy, built on solidarity and shared priorities, could move from merely filling the gap left by the Global North to actively shaping a more inclusive and representative global order.

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A Turning Point in Aid: Toward What End?

by **Lucia Ragazzi**

Looking back at the past few months, it is easy to imagine that 2025 will be remembered as a major turning point in the role of development cooperation within global relations. Whether this marks a temporary shift or a long-term transformation remains to be seen—but several signs suggest a structural change rather than a mere bump in the road.

A series of momentous changes began on 20 January 2025, when, on his inauguration day, U.S. President Donald Trump signed an Executive Order titled "Reevaluating and Realigning United States Foreign Aid,"[1] which effectively dismantled the U.S. Agency for International Development (USAID). This had a significant practical impact, slashing most of the USD 44 billion budget that funded around 70 percent of U.S. foreign aid. It also carried a powerful symbolic message, signaling a redefinition of the country's role as the world's largest donor.

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The shift was anything but subtle either in numbers or tone. In political speeches, such as Secretary of State Marco Rubio's declaration that "foreign aid is not charity,"[2] aid was increasingly framed as wasteful spending on vague, globalist causes that should be scaled back or replaced with more strategic foreign policy tools. Criticism extended to international organizations particularly the United Nations, a historical recipient of U.S. donations. In a letter from early March, the U.S. Mission to the UN stated that "globalist endeavors like Agenda 2030 and the SDGs lost at the ballot box."[3]

These developments reflect a broader though not necessarily as intense global trend. Across Europe, even though EU institutions and several EU institutions remain major donors, a more cautious approach is emerging. Geopolitical tensions, rising defense spending, and demographic pressures are pushing development aid at least in its current formlower on the political agenda. Increasingly, aid is being treated as a component of broader foreign policy considerations, sensitive to external and internal dynamics, rather than as a fixed norm of the international community, as it had long appeared to be.

The USAID cuts highlighted and accelerated a moment of "crisis"understood not only as a period of *difficulty* but also in its literal sense of a *turning point in* the evolution of development cooperation that was already underway. In 2024, Official Development Assistance (ODA) from the Development Assistance Committee (DAC), the forum of the Organisation for Economic Cooperation and Development (OECD) that brings together the world's 33 leading donors, amounted to USD 212 billion. This represents a 7 percent decline from 2023 following five years of uninterrupted growth. Most donors including France, Germany, Japan and the United Kingdom either implemented or announced aid cuts, while only ten DAC countries increased their contributions. According to OECD projections, ODA could fall by as much as 17 percent (in a "high-cut scenario") and return to pre-pandemic levels by 2027.[4]

Aid composition has also shifted in recent years. A growing share has been directed to Ukraine (despite a 16.7 percent decrease in 2024) and to cover in-donor refugee costs, which also declined but still accounted for 13.1 percent of total aid. Meanwhile, funding directed toward developing countries has been shrinking.

Countries heavily dependent on aid will suffer the most. Sub-Saharan Africa which receives about one-quarter of DAC aid is a case in point. Here, the OECD estimates a reduction of 16 to 28 percent in 2025,[5] with immediate consequences for critical sectors. Humanitarian aid is expected to face the steepest cuts: between 21 to 36 percent over just two years (2023-2025).[6] The UN Office for the Coordination of Humanitarian Affairs (UNOCHA) has identified humanitarian needs totaling 45 billion U.S. dollars for 2025, of which only 20 percent is currently funded. Of the ten largest crises by funding requirement, four Sudan, the Democratic Republic of Congo, South Sudan and Chad are in Africa,[7] and none currently reach 30 percent of requested funding.

In April 2025, the International Monetary Fund estimated that, among a sample of sub-Saharan countries, a reduction in aid combined with tighter global financial conditions could reduce net inflows by up to 1.5 percent of GDP.[8] Widespread concerns and forecasts about the significant impact on the region underscore the excessive structural dependence of many African (and other low-income) countries on external assistance. The shortcomings of the current model have long been recognized for potentially distorting local economies, weakening domestic accountability, and discouraging structural reform. Despite decades of international support, sub-Saharan Africa still accounts for less than 2 percent of global GDP while hosting over 15 percent of the world's population.

Against this backdrop, many see the current crisis as an incentive for structural transformation. There is growing momentum around priorities such as boosting foreign investment, harnessing remittances—which brought 56 billion U.S. dollars to the region in 2024—and strengthening value chains and productivity. Calls to "not let this crisis go to waste" reflect a broader push to rethink donor-recipient dynamics. Some donor countries are already promoting a different approach, as seen in new "Africa strategies" centered on supporting development through investment, trade, and strategic incentives for mutual economic benefit.

To some, these shifts represent an opportunity to move toward approaches that are more economically driven and aligned with clearly defined geopolitical interests—rather than aid-dependent models tied to development objectives that are sometimes viewed by recipients as unattainable or even paternalistic. Promoting more effective and equitable economic growth will require a monumental effort of honest and collective reflection by the international community. In the meantime, however, it remains essential not to overlook urgent humanitarian situations that demand a swift international response to limit human suffering.

The current situation is multi-faceted: it combines the shock of a (not-so-sudden) change, the disproportionate impact on the most vulnerable, and the pressing need to rethink development models. While vulnerable countries face major challenges with fewer resources, the search for new and more resilient models is still underway.

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State of Global Climate Finance and the Role of Institutions and Infrastructure

by **Gopalika Arora** & **Abhishree Pandey**

The global financial and multilateral landscape is undergoing significant transformation. Shifting power dynamics and evolving geopolitical alliances, both ideological and strategic, are reshaping traditional systems of international cooperation. These developments are challenging the foundations of the international financial architecture and altering patterns of global financial flows, including those related to climate finance. New partnerships are emerging around trade and security.

Within these changing dynamics, climate finance has become a persistent point of contention between developed and developing countries. While developing nations emphasize the need for adequate and equitable financial support to meet their climate goals, developed countries have often not delivered on their commitments. This has deepened mistrust

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and exposed fractures in the international financial architecture. The climate-finance outcome of the COP29 climate summit in Baku, Azerbaijan, in late 2024, has been widely criticized as insufficient. While developing countries highlighted the need for $1.3 trillion in climate finance annually by 2035, developed countries have only committed to leading efforts toward mobilizing $300 billion per year[1]. The Independent High-Level Expert Group on Climate Finance (IHLEG) estimates that developing countries (excluding China) will need $3.2 trillion annually by 2035, with $1.3 trillion expected to come from international sources[2], underscoring a major financing gap that remains to be filled.

The Cost-Of-Capital Conundrum for Developing Economies

For most developing economies, climate ambition is not constrained by lack of willingness, but by the prohibitive cost of capital. For instance, financing costs for renewable energy technologies remain disproportionately high, despite their decreasing cost. In India, the average cost of capital for a 100MV solar project is between 10.5%-11%, compared to 2.8% in Germany, and 5.3% in the United States[3]. Overall, the cost of capital for renewable power projects and batteries in emerging markets is at least double that of advanced economies[4].

This disparity is deeply rooted in the global financial architecture. Financial markets place higher premiums on countries that have the greatest need for development finance[5]. Rating frameworks focus on short-term fiscal and external balance indicators; investments with longer maturity periods are automatically disadvantaged[6]. Countries investing in renewable energy, climate resilience, or social infrastructure often see no improvement in their credit ratings, despite strengthening their long-term economic fundamentals. Such creditworthiness penalties can add 275-400 basis points to sovereign borrowing costs for climate-vulnerable countries[7]. As a result, the structural bias created leads to capital being channeled to the lowest-risk economies, and not the most climate-urgent destinations.

The International Monetary Fund estimates that lowering the cost of capital by 1 percentage point (100 basis points) could reduce financing costs for net-zero transitions by $150 billion per year in emerging economies[8]. However, risk-mitigation instruments, such as partial risk guarantees and currency hedging facilities, remain underused and are often too complex to be deployed at scale. In addition, over two-thirds of climate finance flows to developing countries take the form of loans instead of grants[9], meaning that most countries must increase their debt burdens to fund their green transitions.

Navigating The Sovereign, Currency, Regulatory Risks

In addition to the high financing costs, developing countries also face sovereign, currency, and regulatory risks that limit their access to climate finance. Sovereign risk reflects the perception that countries with high levels of debt, or other macroeconomic vulnerabilities, may struggle to repay loans. Even countries with appropriate fiscal and climate policies can face high borrowing costs if markets focus disproportionately on historical weaknesses.

Currency risks further exacerbate the financing gap. Projects in the energy sector are particularly vulnerable. Independent project producers in emerging markets must often borrow in hard currency, while their future streams of income are denominated in local currency. Risk is borne either by the project developer or by a state power utility. This may disincentivize the switch to renewable energy[10].

Regulatory volatility adds further complication. For instance, in several emerging economies, abrupt changes to tariffs have undermined investor confidence. In India, renewable energy projects face sizable delays and a lag in signing power purchase agreements (PPAs), partly because of regulatory uncertainties and disputes over tariff rates[11]. These risks reinforce the risk-amplification cycle, in which macroeconomic stress worsens debt sustainability, reduces fiscal space for green investment, and further weakens credit profiles.

South-South Cooperation To Mobilize Finance

As the limits of traditional climate finance flows become more evident, South-South cooperation has emerged as a viable channel for mobilizing climate finance. It offers an alternative form of financing, which is less focused on conditionalities and better suited to the realities of developing economies. This shift reflects necessity, because the $1.3 trillion annual financing need remains largely unmet. The shift is also an opportunity, because many Global South economies are now major capital exporters and technology providers[12].

For instance, energy access in Cameroon is a significant challenge, especially in the northern region where only 10%-22% of households are connected to grids[13]. However, the India-UN Development Partnership Fund has introduced renewable energy solutions in the region through the 'Scaling-Up Rural Households' Use of Renewable Energy and Energy-Efficient Technologies' project. Similarly, the Global South-South Development Center Project supported the building of the International Center on Small Hydro Power (ICSHP), which in turn has piloted several initiatives on small hydropower and renewable energy research and development in Nepal and other Asian countries[14]. The BRICS New Development Bank has also become an important vehicle, and has committed $39 billion to sustainable infrastructure and renewables projects in BRICS countries[15]. In addition, the Coalition for Disaster Resilient Infrastructure (CDRI), launched by India and the UN, has attracted participation from countries across Asia, Africa, and Latin America, to standardize risk assessment and enhance project bankability.

Reimagining The Role Of Development Banks

However, South-South cooperation does not yet have the capacity to fill the financing gap entirely. The effectiveness of its efforts depends on how multilateral development banks (MDBs), development finance institutions (DFIs), and regional development banks complement and leverage South-South cooperation. The current MDB model struggles to catalyze private capital at the necessary scale, with combined disbursements of roughly $120 billion per year[16].

Regional institutions offer more flexibility in this regard. The African Development Bank's Sustainable Energy Fund for Africa, and the Asian Development Bank's Innovative Finance Facility for Climate in Asia and the Pacific, both use concessional capital to crowd-in private finance for renewable energy and adaptation. Similarly, the Development Bank of Latin America and the Caribbean (CAF), provides a means to lower capital cost for member countries, mainly because it maintains an excellent loan portfolio and an implicit preferred creditor status[17].

However, the capital base of regional development banks remains limited. Reforming MDBs and DFIs so they better align with South-South partnerships would have a multiplier effect. Better coordination will allow Southern initiatives to access blended concessional windows, de-risk pipelines, and standardize climate investment frameworks. While South-South cooperation is not a substitute for North-South commitments, it is definitely a powerful complement. Its success, especially at scale, will depend on how effectively it aligns with reformed multilateral institutions.

Building The Enabling Infrastructure for Effective Climate-Finance Deployment

Lastly, climate finance cannot be scaled up without an infrastructure of taxonomies, disclosures, and robust data systems. The increase in national taxonomies, which describe what counts as sustainable economic activities, such as the EU's Sustainable Finance Taxonomy, and the ASEAN Taxonomy for Sustainable Finance, has advanced clarity but has also created interoperability challenges. Emerging economies are also developing their own frameworks. India's Green Bond Guidelines and the Sustainable Finance taxonomy are examples of domestic frameworks aligned with global standards. However, the absence of harmonized disclosures and measurement, reporting, and verification systems across jurisdictions continues to reinforce risk perception and, ultimately, raises the cost of capital for the economies that need it the most.

Conclusion

The state of climate finance today reflects a deeper structural problem in the way global capital flows are organized. Despite path-breaking commitments and pledges, the climate finance gap remains a huge challenge for developing economies. A global financial system designed around short-term stability is ill-suited to the financing of a long-term transition. South-South cooperation and a growing role for regional development banks offer pathways toward a more inclusive financial order, but their full potential can only be realized through reform of multilateral institutions. In addition, credit rating agencies must include sustainability-linked indicators in their methodologies, so that investments in resilience are not treated as fiscal risk. Therefore, the next phase of climate finance must be built around transparency, common standards, and regional ownership. Without these, the promise of trillions for nature-positive transition will remain unmet.

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Energy and Climate Change

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CBAM and the South Mediterranean: From Compliance Risk to a Platform for Cooperation

by **Rim Berahab**

The European Union's carbon border adjustment mechanism (CBAM), set to apply from January 2026[1], will fundamentally reshape trade dynamics for carbon-intensive goods. By aligning import prices with the EU emissions trading system (ETS), CBAM seeks to prevent carbon leakage while nudging trading partners towards low-carbon production. For South Mediterranean exporters, the challenge is immediate: costs and competitiveness now hinge on the credibility of product carbon footprints (PCFs), the source of the electricity they consume, and the ability to finance production upgrades (Jakob *et al*, 2024).

Yet CBAM is more than a compliance cost. It is an opportunity to foster sectoral modernization, regional cooperation, and predictable investment, provided there are clear frameworks for recognition, finance, and market access. This blog post examines how Morocco, Tunisia, and

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Egypt illustrate both the risks and opportunities, and why a broader perspective—including geopolitical, South-South, and just-transition considerations—is essential to make CBAM a tool for convergence rather than fragmentation.

CBAM Mechanics and South Mediterranean Exposure: Morocco, Tunisia, and Egypt[2]

CBAM will initially cover aluminum, iron and steel, fertilizers, electricity, and hydrogen. For all of these categories, it accounts for direct emissions (scope 1). In addition, indirect emissions from the use of electricity in the production of cement and fertilizer (scope 2) are covered. Product coverage is expected to expand over time. For exporters, exposure depends on two linked factors: the ability to document product-level emissions to EU standards, and the availability of finance to fund emission-reducing upgrades under commercially viable terms. Predictable recognition of PCFs and access to affordable capital are, therefore, necessary conditions for CBAM to function as a convergence mechanism, rather than a disruptive cost. Where these conditions are absent, compliance costs will rise, financing will be expensive, and industrial upgrading will be slower, even when the technical solutions exist (Dechezlepretre and Haramboure, 2025; Ignace *et al*, 2025).

In the South Mediterranean, CBAM exposure is concentrated in a narrow set of traded, emissions-intensive exports, but its implications differ between countries. Morocco, Tunisia, and Egypt illustrate how the same policy architecture generates distinct sectoral, financial, and social pressures.

Morocco accounted for 1.2% of the EU's external goods trade in 2024, while the EU represented 59% of its goods trade (European Commission, 2025a). Vehicles (24%), electrical machinery (22%), and apparel and clothing (10%) dominate Morocco's exports to the EU. By contrast, CBAM-covered exports made up 4% of Morocco's EU-bound shipments in 2023, a relatively modest share compared to the country's main export categories. These CBAM-relevant exports were largely fertilizers (70%), followed by iron and steel (18%), and aluminum (3%). Morocco is also among the few Mediterranean countries exporting electricity to the EU, though volumes are modest (about 3% of CBAM exports). Morocco's competitiveness will be determined by consistent recognition by the EU of PCFs audited at product level emissions, and electricity attributes, meaning the source and emissions factor of the power used, which are evidenced through Power Purchase Agreements (PPAs), on-site renewables, or other accepted traceability.

In the case of fertilizers, Morocco's exports to the EU are entirely supplied by the state-owned OCP Group, which manages the country's phosphate reserves and stands as the world's leading exporter of phosphate-based fertilizers. OCP has pledged to rely entirely on renewable power by 2027 and to achieve carbon neutrality by 2040 (OCP, 2023). These commitments could help safeguard margins only if these reductions are accepted at the border. Geopolitically, Morocco's renewable positioning opens avenues for South-South cooperation: joint projects with external investors, regional electricity trade, or harmonized measurement, reporting, and verification (MRV) standards can bolster resilience to CBAM costs. Yet success requires these investments to be recognized in EU-compliant documentation.

Similarly to Morocco, the EU is a primary partner for Tunisia. In 2024, the EU accounted for 55% of Tunisia's trade, with CBAM-covered goods representing about 5% of Tunisia's exports to the EU, heavily concentrated in iron and steel (73%), followed by aluminum (10%), and cement (8%) (European Commission, 2025b). High emissions intensity, driven by an energy mix averaging 55 metric tons of carbon dioxide (tCO_2) per terajoule, and limited innovation capacity[3] slow the adoption and verification of cleaner production in Tunisia (Jakob *et al*, 2024). Competitiveness, therefore, hinges on simple, auditable PCF and MRV that the EU will accept, and on credible access to cleaner power for the plants that export to Europe. Without both of these, compliance costs will rise, and financing will become more expensive, even when feasible abatement options exist.

Egypt is more exposed than Morocco or Tunisia. In 2024, the EU accounted for 22% of its total trade (European Commission, 2025). CBAM-covered products represented 23% of its exports to the EU, diversified across iron and steel (44%), fertilizers (39%), and aluminum (16%). Given the high share of CBAM-covered products in its exports to the EU, the key constraint for Egypt is bankability under predictable EU rules. When upgrades are measured and reported to EU-accepted standards, banks can lend on reasonable terms—rates and maturities that let projects pay back once CBAM is priced. If recognition is uncertain, lenders add risk: interest rates rise, loan terms shorten, and projects are delayed or scaled down. Furthermore, domestic political-economy dynamics amplify the challenge. Fossil-fuel subsidies, regulatory fragmentation, and institutional bottlenecks slow renewable deployment and MRV adoption. Overcoming these barriers is essential if CBAM is to transform from a compliance burden into a competitive advantage. South-South collaboration—through shared renewables or harmonized MRV frameworks—can de-risk investments, but only with predictable EU recognition.

These three cases highlight the heterogeneity of CBAM impacts: Morocco must translate renewable deployment into recognized PCFs; Tunisia faces both compliance and just-transition challenges in steel; Egypt must navigate domestic political-economy constraints to make decarbonization bankable. Across all three, success depends on whether technical recognition, financial support, regional cooperation, and social safeguards can be combined.

The Binding Constraints: Recognition, Finance, and Market Frameworks

As shown by the Moroccan, Tunisian, and Egyptian cases, CBAM's impact in the South Mediterranean will be determined by two interlinked practical constraints:

- **Recognition:** Can firms present PCFs that the EU accepts, including clear evidence of electricity sources and emissions factors (via PPAs, on-site renewables, or certificates)?
- **Finance:** Can firms raise capital at a cost and

maturity that means production upgrades will pay back under CBAM-adjusted margins?

These constraints move together. When recognition is predictable and documentation is accepted, cleaner production is priced at the border, revenues are more reliable, and banks lend on reasonable terms. When recognition is uncertain or duplicative, compliance costs rise, lenders add risk, rates increase, maturities shorten, and projects are delayed or downsized—even when technology exists (European Commission, 2021).

In practice, the implications differ by product (Dechezleprêtre *et al*, 2025):

- **Steel:** emissions reductions via recycled inputs and cleaner power matter only if documented credibly.
- **Cement:** lower clinker content and improved heat efficiency translate to value only if customs and procurement authorities consistently accept the reduced footprints.
- **Aluminum:** electricity dominates costs and emissions; switching to lower-carbon power or increasing recycled content improves pricing only when clearly evidenced.
- **Fertilizers:** cleaner power and feedstocks reduce emissions; margins improve at the border only if the reductions are recognized.

A third enabling layer is the **market framework**. While regional interconnectors and pilots exist, grid access rules, short-term balancing, guarantees of origin, and congestion revenues have not always kept pace. Aligning these rules makes clean-power claims reliable, reduces policy risk, and lowers financing costs. Treated merely as a border charge, CBAM risks adding paperwork and uneven market access. Used as a tool for rule convergence, it channels private capital to sectors where abatement is feasible and commercially viable.

A Sector-Based Cooperation Framework

As the previous section discussed, CBAM-era competitiveness improves when rules are clear, recognition is predictable, and finance is accessible. The goal is not to prescribe national policy choices, but to specify the conditions under which investment and abatement can scale in traded, emissions-intensive value chains. A sector-based framework can operationalize this, based on three elements:

1. Measurement equivalence: functional, verifiable PCFs, particularly for electricity-intensive sectors, mutually recognized across the region.
2. Performance-linked, time-bound support: temporary assistance tied to measurable intensity reductions, declining as abatement costs fall.
3. Enabling of market access: governance arrangements that ensure documented improvements are priced at the border, including grid codes, guarantees of origin, and customs rules.

When implemented, this framework can help shift CBAM from a compliance tax to a convergence mechanism: lower transaction costs, reduced policy risk, and scaled abatement across steel, cement, aluminum, and fertilizers.

However, framing CBAM merely as a technical or economic adjustment misses its wider significance. The mechanism sits at the intersection of EU-South Mediterranean relations, in which trade, energy, and climate policy converge. CBAM has been designed unilaterally within the EU framework, albeit following consultations with trading partners. This risks reinforcing perceptions of protectionism and of Europe externalizing its costs. Yet predictable recognition of third-country mitigation efforts and stronger sectoral coordination could help ensure its implementation fosters Euro–Mediterranean cooperation rather than deepening unilateralism. Harmonized PCFs, electricity tracing, and reporting standards across the Southern Mediterranean will reduce transaction costs, accelerate decarbonization, and enhance bargaining power with the EU (Jakob *et al*, 2024; Byiers and Medinilla, 2024). Joint renewable projects and pooled financing further scale industrial transformation.

Socially, emissions-intensive sectors support significant employment. Embedding just-transition measures, including reskilling, social safety nets, and targeted SME support, is essential to prevent inequities or political resistance. Finally, domestic political economy constraints—fossil fuel subsidies, fragmented regulation, and institutional limits—can slow adaptation. Effective CBAM implementation requires credible domestic reform coalitions that align governments, industry, and civil society to ensure external incentives translate into lasting competitiveness and decarbonization gains.

Conclusion: CBAM as a Catalyst for Convergence

CBAM presents both a challenge and an opportunity for the South Mediterranean. If treated narrowly, it risks raising costs, undermining competitiveness, and reinforcing unilateralist perceptions. But if integrated properly, by linking EU recognition, South-South cooperation, inclusive transition strategies, and domestic political economy reform, CBAM can catalyze industrial modernization, regional collaboration, and predictable investment flows. In an era of global polarization, such sector-based convergence offers a blueprint for how climate policy can simultaneously deliver emissions reductions, economic growth, and geopolitical partnership.

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2. Unless stated otherwise, data from this section are author's calculation based on latest data from the World's Bank World Integrated Trade Solution.
3. This means fewer actors are able to adopt and prove cleaner processes quickly. In practice, upgrades and the documentation to evidence them take longer and cost more.

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Beyond COPs: Alternative Cooperation Frameworks to Fight Climate Change

by **Massimo Lombardini**

The 30th Conference of the Parties (COP30) to the United Nations Framework Convention on Climate Change will take place from November 10-21, 2025, in Brazil, bringing together world leaders, scientists, NGOs, and civil society to discuss climate action. Yet doubts remain about whether it will produce significant results. COP29 in Baku in November 2024 opened with Azerbaijan's President Ilham Aliyev calling oil and gas a "*gift from God*", and then criticizing Western governments for preaching against fossil fuels while purchasing his country's gas.

On January 20, 2025, just after his second inauguration, President Donald Trump signed an Executive Order withdrawing the United States from the Paris Agreement for the second time. His first withdrawal had been reversed by President Biden, who rejoined in February 2021. The renewed exit once again weakened the

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global consensus around the Paris Agreement. Meanwhile, other major economies are on slower trajectories to cut their emissions. China has pledged carbon neutrality by 2060 and India by 2070, while Russia has long voiced skepticism. President Vladimir Putin has joked that warmer weather would cut heating costs and boost grain harvests, and claimed volcanic eruptions release more greenhouse gases than human activity.

China, the U.S., India, and Russia are the world's four largest emitters. With the U.S. outside the Paris framework, China and India targeting neutrality far beyond 2050, and Russia downplaying the issue, global carbon neutrality by mid-century looks remote.

Nevertheless, the COP process remains significant. It provides an annual forum to review progress, set goals, and maintain diplomatic pressure. But given the difficulty of reaching ambitious agreements at global level, other avenues of cooperation should be explored. Instead of waiting for a perfect worldwide solution, which seems out of reach, governments can build frameworks that reduce emissions more pragmatically: coalitions of like-minded countries, innovative partnerships with developing nations, and accelerated deployment of clean technologies.

The European Union offers a clear example of the first approach. It has collectively pledged to reduce emissions by 55% by 2030, embedding the goal into law. Importantly, in COP negotiations, the EU speaks through EU representatives rather than those from individual member states, reinforcing its unity. Medium-term goals for 2035 and 2040 are still under discussion, but the EU's approach shows how regional blocs can coordinate ambitious targets, even when global consensus lags.

The second framework involves new forms of cooperation with developing countries. Italy's *Piano Mattei*, named after ENI founder Enrico Mattei, aims to create economic partnerships with African nations in energy, agriculture, and infrastructure. Its goals go beyond securing Italy's energy supply: the plan seeks to generate economic opportunities in Africa, manage irregular migration, and establish Italy as a strategic partner. It also seeks to share best practices and clean technologies in order to foster sustainable development. Unlike past extractive models, often described as neocolonial, the *Piano Mattei* stresses mutual benefit and technology transfer, while providing export opportunities for Italian and European cleantech industries.

The third avenue is the broad deployment of innovative energy technologies. Throughout history, energy transitions have occurred when new sources or devices outperformed older technologies or approaches. At the start of the twentieth century, Henry Ford's Model T replaced horse-drawn transport, not through regulation, but because it was more efficient and affordable. Similar shifts are underway today in transport and electricity.

Road transport accounts for about 20% of global energy use and emissions. In the past decade, sales of electric vehicles (EVs) have expanded rapidly. Global registrations grew from one million in 2016 to ten million in 2022, and over seventeen million in 2024. In China, more than half of all new cars sold in 2024 were electric.

The reason is straightforward: EVs convert nearly 90% of energy into motion, compared with about 25% for internal combustion engines (ICE). Falling battery costs and denser charging infrastructure reinforce this trend, which is now spreading well beyond China. DNV's Energy Transition Outlook, published at the end of 2024, predicted that by 2031, half of all new cars sold worldwide will be electric.

Unfortunately, the net-zero transition has often been framed narrowly as an ecological policy rather than a technological and economic inevitability. This has polarized debate in Europe, where the 2035 phase-out of combustion-engine car sales has been cast as a cultural battle between 'pro-EV' and 'pro-ICE' camps. In reality, electrification is advancing because EVs are better machines—cheaper to run, easier to maintain, and more efficient. The speed of adoption will vary across regions, but the direction is irreversible. As EVs gain share, demand for oil in transport will decline steadily.

Solar energy shows a similar technological momentum. Photovoltaic panels have multiple advantages: once installed, they last for decades, their fuel—sunlight—is free, and they produce no emissions, noise, or smoke. Over the past decade, panel prices have fallen by about 90%. Installed capacity has risen from just 1 gigawatt in 2004 to 600 gigawatts in 2024. *The Economist* has projected that by 2035, solar will become the world's single largest source of electricity. With storage and grid flexibility improving, the competitive position of solar energy will strengthen further.

These trends show that progress will come not only through international agreements, but through technology adoption and regional cooperation. COPs should not be dismissed, as they remain valuable in setting the direction and reviewing progress. But expecting a single global bargain to solve climate change is unrealistic in the near term.

A more pragmatic strategy is to cumulate gains across multiple fronts: deepen alliances among countries with compatible goals, expand partnerships such as *Piano Mattei* that link development and clean energy, and accelerate the diffusion of innovative technologies that win on performance and cost. Together, these measures can deliver emissions cuts, even as negotiations for global consensus continue.

In conclusion, COP30 will take place against a backdrop of geopolitical skepticism and uneven national commitments. The summit remains symbolically important, but the most effective progress is likely to come from targeted alliances, innovative cooperation with developing nations, and unstoppable technological shifts. If pursued in parallel, these approaches can achieve tangible results, while making eventual global agreements more feasible.

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A New Paradigm? The Energy Transition in a Securitized World

by **Alberto Prina Cerai**

The return of Donald Trump to the White House has unleashed a seismic shock, undermining not only the health of the multilateral system, but also one of the most decisive collective efforts of our time: climate change mitigation. Only four years ago, decarbonization was seen as both urgent and promising—a driver of "green" growth that could underpin radical transformations in the power and transportation sectors through the development of clean energy industries and critical-minerals supply chains. By the end of 2021, in the lead-up to COP26 in Glasgow, governments worldwide were coalescing around the goal of limiting global temperature increases to 1.5 °C, with most analyses at the time (IPCC, IEA, BNEF, etc.) forecasting net-zero emissions by 2050. These radical changes were framed as major economic opportunities, but Western governments also recognized their inherent geopolitical risks: dependence on a

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single supplier, such as China, could confer excessive leverage during times of deteriorating relations or competition in other strategic sectors. The U.S. Inflation Reduction Act (IRA), the EU's Net Zero Industry Act, and the Critical Raw Materials Act were conceived to address these concerns, acknowledging the long-term economic costs—both from damages and missed opportunities—of climate inaction, while de-risking excessive industrial dependence.

Today, climate-hawkish Donald Trump casts a shadow over the effectiveness of climate negotiations at COP30 in Brazil, while disrupting the economic, trade and industrial policies that could have supported the diversification of clean technologies.[1] In response to Trump's "trade war," China has increasingly weaponized its assets—rare earths and critical materials—leaving the European Union caught in the middle. Meanwhile, the United States appears determined to leverage fossil-fuel-driven geopolitics—the first *Executive Order* signed by Trump, along with the recent burdensome trade deal between Washington and Bruxelles, are indicative of this strategy—to counter Chinese dominance in clean technologies and its growing market and political influence, not only in Europe but also in Africa and South-East Asia.[2] It remains unclear whether this "new cold war" will result in a climate stalemate, but top-level cooperation may already be among its first casualties if the two largest CO_2 emitters continue on conflicting energy paths, while the EU—positioned as a lead in climate diplomacy—faces significant economic repercussions.

However, ten years after the landmark Paris Agreement and approaching the make-or-break moment for limiting the worst consequences of climate change, it is necessary to look beyond short-term reactions. Four powerful drivers are beginning to shift the narrative toward a more "securitized" energy system: (1) the surge in power-hungry AI deployments, which drive new capacity demand;[3] (2) the increasing criticality of power storage to offset the intermittency of renewables in the energy mix; (3) the impact of tariffs and trade policies, which push onshoring beyond "friend-shoring" as actors adjust to Trump's trade policy measures and pursue localized supply chains; and (4) policy shifts that deprioritize previously ambitious Net-Zero targets.

Emerging drivers suggest that decarbonization will involve greater regional and sectoral diversification, reducing carbon intensity without constraining the growth of key industries such as AI, electric vehicles, and automation. With electrons emerging as the primary source of energy consumption—from renewables and new nuclear build-out, alongside the growing role of natural gas to offset coal-fired generation—the contemporary challenge is a quest of "power for power." From smart grids to large-scale batteries, LNG terminals, and next-generation reactors, those who control the minerals, infrastructure, and technologies that enable electrons will wield influence in the 21st century.[4] This is already happening at scale in China, which exhibits the highest electrification ratio, with significant effects on global energy markets.[5] Consequently, the traditional energy-security paradigm—centered on supply diversification through pipelines, barrels, and maritime chokepoints—is increasingly obsolete, as new sources of energy demand will dictate supply-oriented policies integrating resources, infrastructures, and technologies. In this power-hungry world, energy remains strategic not only for competitiveness but also to shape geopolitical alliances, grounded more in opportunity than ideology.

If we assume that these drivers will remain persistent, regardless of the short-term policies governments prioritize, decarbonization will proceed alongside them, shaped more by competition than by cooperation. This is not to sound a death knell for climate negotiations: rather, it is to acknowledge that national policies will increasingly be dictated by security, self-sufficiency, and economic competitiveness, not solely by NDCs targets.[6] Despite this uncertainty, global investments in renewables continue to rise, with cost-reduction trends in solar, wind, and batteries robust enough to displace fossil fuels. Meanwhile, other sources, such as natural gas and nuclear, are gaining traction and helping to bridge remaining gaps.[7] While it is undeniable that energy interests influence geopolitics, it is equally relevant that geopolitical clashes are driving the search for new energy solutions. Four years ago, the narrow focus on "Net Zero"—effectively translated into the "electrification of everything"[8]—led to an underestimation of geopolitical barriers. Paradoxically, in the coming years, those very forces could become a powerful driver of decarbonized pathways.

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Climate Change, Climate Action, and Energy Trends: Noise, Trends, Signals

by **Jesse Scott**

Climate change, climate action, and energy trends in demand, supply, and technologies are best tracked with hard numbers and multi-decade datasets. The politics and discourse surrounding climate and energy, however, can shift significantly from year to year. This makes assessing progress tricky: what is truly happening, what is merely 'noise,' and what might indicate a transformational change?

Noise, Trends, Signals

In 2025, the 'noise' of climate and energy politics and discourse has continued to fragment: we hear calls for 'energy dominance,' but also a pervasive 'FOMO'—fear of missing out—on global market leadership in clean technologies.

Substantively, the clearest trend is the increasing number, scale, and cost of extreme weather events. The insurance sector is now at the frontline of climate politics and

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policy. This is "not a vague or future issue—it is physical reality". Entire asset classes are "degrading in real time, which translates to loss of value, business interruption, and market devaluation on a systemic level."[1] Meanwhile, media coverage continues to undercount how extreme weather drives a 'slow violence'[2] and "threat multiplication,"[3] in the form of escalating droughts, floods, food insecurity, and migration pressures.

The second major trend is in energy: the phenomenal pace of solar photovoltaics deployment worldwide. In the first six months of 2025, new solar capacity grew at a rate 64% higher than during the same period in 2024.[4] This revolution began in India with the astounding achievements of the Solar Mission. Solar hotspots now also include China, Vietnam, Pakistan, and parts of Africa.

Public signals of transformational change are quieter than they were, but some are materially stronger. We see fewer corporate proclamations that amount to 'greenwashing' and more corporate strategies being discreetly implemented with 'green hushing'. This trend is also evident in policymaking, where the U.S. is an outlier in its retreat from the clean energy transition.

10 Years after Paris

This year marks the tenth anniversary of the UN Paris Agreement. A verdict of success or failure depends on what you focus on: COP last night fights over 'square bracket texts' are over-reported, while the vast COP side-event knowledge exchange and trade fair is an under-told story. Ten years ago, the UN process was crucial to achieving a collective global problem description on climate change and a consensus about goals.

Delivering on those goals today, however, is mostly outside the purview and capabilities of the UN. The road to net-zero is about action in the material world and results in the real economy. We have the technologies for mitigation; what matters now are finance and trade deals. Loss and damage require a radical rewriting of the remits of multilateral development banks, including adding stakeholders to boards to sit alongside shareholders.

Let's not forget that the International Energy Agency's World Energy Outlook net-zero scenario (NZE[5]) consistently shows two key results. First, although there is a temporary overshoot of the 1.5 °C target, a pathway to 'well below 2°C' remains well within reach. This aligns with the IPCC's upper limit for an adaptable versus an unadaptable world. Second, by 2035, the NZE scenario costs 20 percent less than low-ambition policy scenarios, with even greater savings for energy-importing regions.

Urgent, Important, Interesting

In short, we face a landscape of issues and insights that is—not least—intellectually challenging. It helps to identify which questions are critically urgent today, which are crucially important but slightly less urgent, and which are very interesting but uncertain.

At the top of the urgent list are partnerships between the 'Global North' and 'Global South.' The current EU-India talks on trade, investment, and a 'strategic agenda' could mark a watershed moment between a tentatively transactional relationship and transformational win-win collaborations—including on climate. Perhaps the time is right. Since the signing of the Paris Agreement, both continents have become visibly more climate vulnerable. They share numerous, though not always symmetrical, interests, ambitions, and challenges in mitigation and adaptation. Imagine the beneficial impact—and the global template—that a green economy orientation in this combined USD 24 trillion market of 2 billion people could create.

That vision would require both parties to agree-to-disagree on other strategic questions in order to cooperate on climate, and to engage with their domestic stakeholders about opening up policy agendas framed as "Make in India" (Atmanirbhar Bharat) and "Made in Europe" (strategic autonomy). They would need to navigate ongoing issues of Common but Differentiated Responsibility and Respective Capacities, as well as divergent perspectives on coal phase-down and the EU Carbon Border Adjustment Mechanism.

Europe would need to understand the seriousness with which India is telling the Western world that it must address "continuing disappointment" about the shortfall on SDG targets.[6] India, in turn, would need to recognize that it cannot credibly treat trade and the environment as "two separate issues" of the bilateral relationship.[7]

The important list includes how the Trump doctrine of energy dominance fares with other geopolitical actors. The EU needs to resolve its affordability and cybersecurity issues in its quest for energy security through renewables and the electrification of energy end-uses. But when will we all realize that the secure availability of energy also depends on the resilience of energy systems to climate change—heatwaves, storms, and other extreme events?

The interesting questions include how to balance the traditional practice of designing climate policies for the domestic sphere with the challenges this raises internationally. Some of the problems are technical: notably, where nationally legislated emissions measurement methodologies and green taxonomies apply different metrics, which may be non-interoperable and thereby risk causing impediments to both trade and climate action.[8] We also face a fundamental question of governance: for example, when unilateral EU green standards impact global markets, should third countries be consulted, and if so, how might such consultation be implemented? We are entering a phase of rethinking the roles of climate policy regimes—international, bilateral, plurilateral, and multilateral.

Against the Clock

Climate disruption results from changes in the Earth's system physics, and physics is not a negotiating counterparty. The Earth does not 'listen to,' 'wait for,' or 'make deals with' human arguments. Unlike historic questions of war, economics, or law—which arise between human actors and include some space for negotiation—climate change is an "actorless threat" that cannot be deterred or delayed by legal, military, financial counter-threats, or moral shaming.[9]

Today, we are bumping up against this grim reality. As Amitav Ghosh asked almost a decade ago, are we all deranged?[10] For wealthy (sunsetting) economies and poor (sunrise) economies alike, the climate action challenge is not 'if' but 'when,' and all of us are obligated to take all feasible measures to mitigate and adapt in order to protect our citizens and future children. Materially, geopolitically, and philosophically, it is time to recognize that this will not mean "more of the same, minus catastrophic climate change."[11]

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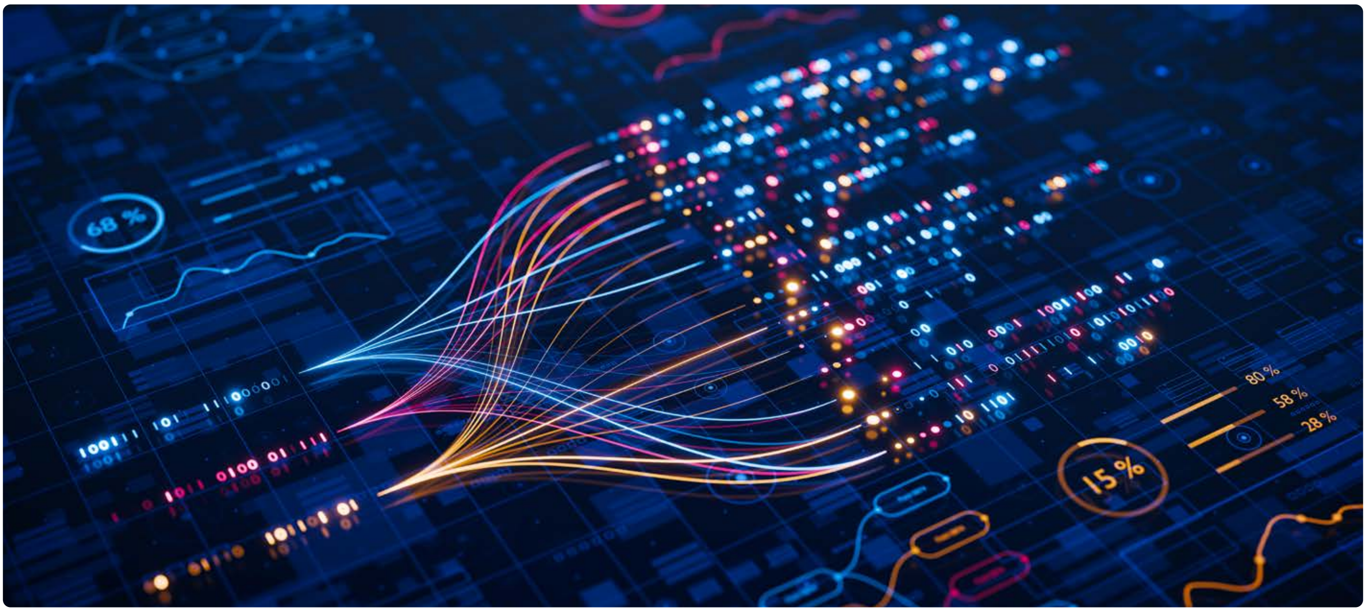
New Technologies and Digital Transition



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Artificial Intelligence at the Crossroads: Regulation and Economic Strategy in the EU, Africa, and India

by **Abdessalam Jaldi**

Artificial Intelligence (AI) is rapidly transforming the global technological and economic landscape, but regions around the world are charting its development and regulation with distinct priorities and challenges. The EU, Africa, and India each represent unique case studies in the quest to balance innovation, ethical considerations, regulatory frameworks, and economic strategies. While the EU emphasizes ethical oversight and regulatory control to safeguard fundamental rights amid concerns over technological sovereignty, Africa seeks to overcome cyber-colonialism and assert its technological autonomy in the context of intense geopolitical competition. Meanwhile, India leverages its skilled workforce and expanding market to strengthen its position as a major emerging player in AI. This article examines how these three regions navigate the complexities of AI advancement and governance, highlighting their strategies and

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the implications for their roles in the global AI ecosystem.

The European Approach to AI: The Primacy of Ethical Considerations

Over the past two decades, the EU has experienced a significant technological decline compared to its two main global rivals: the US and China. This sobering reality led the French National Assembly, in a 2018 report, to describe Europe as a "digital colony" of Washington and Beijing. It is against this backdrop that the EU introduced the AI Act—alongside the Digital Markets Act and the Digital Services Act—as part of a broader effort to reassert its technological sovereignty on the global stage.

The core philosophy of the AI Act is to strike a delicate balance: fostering technological innovation and harnessing its social and economic benefits, while at the same time establishing clear safeguards to mitigate potential legal and ethical risks. The regulation rests on two foundational pillars:

- Risk-based classification of AI systems: AI applications are categorized according to the degree of threat they pose to fundamental rights. The framework defines four categories of risk: unacceptable, high, limited, and minimal. For high-risk systems, the legislation imposes stringent compliance obligations and foresees penalties of up to €30 million or 6% of global annual revenue for breaches involving prohibited practices or misuse of data.
- Building a single European data market: In recognition of the EU's lag behind global competitors, the Act also lays the groundwork for a unified European data space, designed to facilitate the free flow of data across the Union—while remaining fully aligned with EU standards on competition and data protection.

Nevertheless, the path forward is not without resistance. Forty-five leading European companies have addressed an open letter to the European Commission, calling for a two-year moratorium on the Act's implementation. They argue that, in its current form, the regulation risks undermining Europe's competitiveness and delaying the emergence of its own technological champions.

This standoff serves as a stark reminder that the European Union's long and complex journey toward digital and technological regulation remains fraught with obstacles—and that the balance between innovation, sovereignty, and oversight is as delicate as ever.

Africa, Plagued by Cyber-Colonization, Seeks Technological Autonomy

Africa stands at a crossroads in the AI revolution. Confronted with a persistent data deficit and gaps in regulatory frameworks, the continent has become a battleground for technological competition between American GAFAM companies and China. Pressed by urgent development challenges, Africa is forging a techno-industrial partnership with China—a move that is logical but highly asymmetrical. Examples of China's industrial presence are striking: Transsion Holdings became the leading smartphone company in Africa in 2017; ZTE, the Chinese telecom giant, provides critical infrastructure to the Ethiopian government; and CloudWalk Technology, a Guangzhou startup, has signed an agreement with the Zimbabwean government. Aware of China's extensive digital and technological influence in Africa, Western countries are attempting to push back. GAFAM companies are expanding startup incubators and programs to foster African talent, while the EU has launched its Global Gateway initiative to counter China's influence.

The scale of the struggle for influence in Africa has prompted the AU to seriously pursue digital and technological autonomy. Notable steps include the launch, during the GITEX 2023 exhibition, of work on codifying the African AI Charter, followed by the adoption in 2024 of the AU's AI strategy and the African Digital Compact. More recently, in April 2025, Rwanda hosted the inaugural Global AI Summit on Africa, an event designed to strategically position the continent as a proactive contributor to the global AI ecosystem and to bridge the gap between its vast potential and its current participation in the AI-driven economy.

At the summit, leaders collectively pledged US$60 billion to strengthen Africa's role in the global AI landscape. The funding is intended to support the development of AI infrastructure, empower African startups, and foster research and development across the continent. However, the financing modalities of the African fund have yet to be clarified. Complementing this major investment, Rwanda's Ministry of Information and Communication Technology (ICT) and Innovation, in partnership with the Gates Foundation, announced the creation of Africa's first AI Scaling Hub. Backed by a US$7.5 million budget, the initiative aims to accelerate the application of AI in critical sectors, including healthcare, education, and agriculture.

India as an Actor of AI

While the US and China have secured a decisive lead in AI, India is steadily strengthening its technological autonomy—driven in large part by the Bangalore ecosystem—and is gradually positioning itself as a key global player. Today, India ranks 11th in AI research and 16th in AI infrastructure. These are notable achievements, but they are not yet sufficient to establish India as a major contributor to AI production. Nonetheless, with the world's largest AI-skilled workforce and recent government initiatives, India has the potential to make significant advances in the coming years.

In the same time, India remains a major consumer of emerging technologies, ranking 6th in market size after the US, China, Japan, Germany, and the UK. Despite some fluctuations, India continues to be the second-largest market for decentralized finance (DeFi) among G20 countries as of 2024. The broader market for virtual digital assets is also expanding rapidly and is projected to reach USD 6.4 billion with over 100 million users by the end of 2025. This market size already surpasses that of other emerging technologies in India, including consumer IoT (USD 5 billion), the metaverse (USD 2.1 billion), and AR/VR (USD 789 million in 2024).

Conclusion

The divergent trajectories of the EU, Africa, and India in the AI domain highlight the multifaceted interplay between governance models and economic ambition. The EU's cautious yet principled regulatory approach reflects its commitment to ethical innovation, even as it struggles to remain globally competitive. Africa's bold pursuit of technological autonomy underscores both its structural vulnerabilities and its untapped potential to emerge as an active participant in the AI revolution. India's rapidly expanding AI ecosystem demonstrates how human capital and market dynamics can serve as powerful drivers of technological advancement. Taken together, these cases show that balancing regulation, innovation, and economic growth is not optional but essential for regions aspiring to thrive in the AI-driven future. As AI continues to evolve, collaborative, context-sensitive strategies will be crucial to harness its benefits while mitigating its risks.

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Three Vectors of AI as a Geopolitical Frontier

by **Anulekha Nandi**

In 2023, Artificial Intelligence (AI) was projected to add US$ 7 trillion to the global economy, with a 1.5-percentage-point increase in productivity growth over a 10-year period.[1] Similarly, the market for military AI is projected to grow to US$ 19.29 billion by 2030, at a Compound Annual Growth Rate (CAGR) of 13 percent from 2025.[2] This highlights the inextricable coupling of technological capabilities with economic value and hard power.

This has led to a complex interplay of great-power competition between the two AI technopoles—U.S. and China—with cascading implications for the global economy and the pursuit of strategic autonomy by middle powers. This dynamic is inflected by varying degrees of cooperation that straddle the vulnerabilities of dependency on AI superpowers and the imperative of enhancing national security and economic resilience.

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Competition for AI supremacy between the U.S. and China has often been likened to an "arms race."[3] The U.S. maintains dominance across the full AI stack—data, models, and advanced chips—while China is competitive in data and models. Domestic technology incumbents in China such as Alibaba, Tencent, and Huawei have spearheaded foundational innovation, with Chinese open-source models narrowing the gap with their U.S. counterparts even prior to the launch of DeepSeek in January 2025.[4] The U.S. has leveraged its comparative advantage in advanced semiconductors chips to counter China's rise as an AI superpower, driven by narratives of national and economic security.[5]

This securitization of AI—through ownership and control of its innovation processes and resources, enforced via trade barriers and export controls—have embedded security considerations deeply within economic growth. The great-power competition, coupled with the wider context of punitive tariff measures enacted by the U.S. even against allies like India, has underscored both the vulnerabilities of dependency and the urgency of pursuing strategic autonomy.[6] This dynamic is reinforced by allies and AI middle powers—those with AI ambitions and niche yet substantive advantages—being compelled to choose sides within the great power rivalry.

Cooperation has become the mechanism for navigating this fraught landscape, where abrupt political changes and cascading economic consequences unfold across a global network of actors and interdependency.[7] Transnational businesses, concentrated AI resources, sprawling global supply chains, and a rapidly evolving technology ecosystem require states to weigh collaborative growth against resilience and security concerns. This increases the potential for positive-sum outcomes, particularly if middle powers are able to leverage their strategic advantages to stabilize global interdependencies.

Architecture of Global AI Relations: Competition, Autonomy, and Cooperation

Competition: The global AI ecosystem revolves around two poles: the U.S. and China. Yet the nature of their competition extends beyond national security rationales and localization mandates. At its core, the global AI ecosystem is underpinned by major technology firms in both countries whose transnational reach and scale of delivery allow them to provide not only foundational models but also the infrastructural services for downstream development. These firms increasingly compete across diverse market segments—from payments to search—creating positive feedback loops that reinforce their AI platform and infrastructure offerings.[8]

As AI platforms accumulate users, network effects reduce competition and enable them to scale even more rapidly. This tendency toward consolidation and scale generates structures of dependency, as economic activity in many countries becomes deeply embedded in these platforms.[9] The result is that AI superpowers gain self-reinforcing comparative advantages, driven by the transnational export of their ecosystems, network effects, and the resulting economic gains.[10] Great power rivalry thus becomes a contest over market penetration and adoption, with trade barriers and export controls further distorting competition and edging the global AI order toward monopolistic control.

Autonomy: Intense competition between major powers has compelled countries to reassess their vulnerabilities and invest in sovereign AI capabilities.[11] Sovereign cloud, for instance, is projected to grow by nine percent annually, reaching an estimated 40 percent of total Infrastructure-as-a-service revenue by 2028.[12] For middle powers, strategic autonomy agendas increasingly frame AI as a catalyst to enhance relative influence on the global stage.[13] Yet assertive efforts to reduce dependence on dominant allies can provoke backlash and countermeasures.[14]

Middle powers nevertheless bring strategic advantages to the AI landscape. In 2023, countries such as the UK, India, UAE, France, South Korea, Japan and Singapore ranked among the top 10 globally for "AI vibrancy," leveraging strengths across talent, sovereign funds, research and development, and hardware ecosystems.[15] Still, the effective exercise of strategic autonomy ultimately depends on building robust national AI capabilities—making cooperation an essential condition for middle powers to advance their agendas.

Cooperation: Middle powers, or "geopolitical swing states" in AI, are key players whose strategic capabilities create the conditions for forming technology and innovation alliances that reduce exposure to geopolitical competition between the AI superpowers.[16] States often use cooperation as a means of navigating their strategic autonomy within this competitive landscape. Examples include the Chip 4 alliance of US, Taiwan, South Korea, and Japan, or China's Digital Silk Road, which has established bilateral digital cooperation agreements with 40 countries—more than half of them in the Indo-Pacific, representing 60 percent of the world's developing economies.[17]

With superpowers controlling much of the AI value chain, any cooperation strategy necessarily requires multi-alignment: securing access to infrastructure, connectivity, and technology for economic development, while at times counterbalancing shared threats. This, in turn, demands careful calibration—aligning domestic priorities with external competitive pressures.

Cooperation as a Strategic Lever

AI has emerged as a new geopolitical frontier, marked by intersecting dependencies between competition and strategic autonomy. Within this landscape, cooperation has become the key modality—allowing middle powers to calibrate great power rivalry and enabling superpowers to enhance the implementation of their global strategies. Middle powers, however, face a multi-alignment dilemma: pursuing dependent growth, forging strategic alliances with a superpower against a shared adversary, while simultaneously seeking self-reliance and security. This underscores the potential for middle-power alliances to pool strategic resources, balance global AI development, and shape both economic and security outcomes.

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From Satellites to Space Stations: Private Actors and the Digitalization of Orbit

by **Clelia Iacomino**

For much of the twentieth century, space symbolized state power, embodied in agencies such as NASA and the European Space Agency (ESA). Today, the convergence of space and digital technologies is remaking that landscape. Private companies are building ecosystems that turn satellite services into data-driven platforms for artificial intelligence, predictive analytics, and the internet of things (IoT). The rise of commercial space stations—together with renewed lunar exploration—marks a transition from state-driven markets to private actors in shaping new infrastructures. Space and non-space firms increasingly complement one another in integrating orbital infrastructure with digital platforms. But they also compete for market share, especially in connectivity and Earth-observation services.

States still matter, funding early-stage areas including space solar power, lunar missions,

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and commercial stations, often providing seed investment when venture capital is reluctant. But private actors now lead in creating value and setting strategy, pushing governments toward an enabling role focused on regulation, procurement, and ecosystem building. This forces incumbents to adapt to disruptive entrants such as SpaceX, while firms pursue public value through partnerships and services with social and environmental impact.

These dynamics attract capital and collaborations with non-space companies that integrate satellites into wider digital infrastructures. The result is a larger downstream economy and greater value for space-derived data, but also new challenges for competition and innovation policy. Reflecting the shift, the value of the global space economy reached $612.6 billion in 2024, nearly doubling in a decade, with most of the value generated by commercial infrastructure and services—figures that likely understate the value created when digital companies leverage satellite data and technologies[1].

Low Earth orbit (LEO) constellations are reshaping connectivity, especially in underserved regions where fiber or fixed wireless access are uneconomic. The transformative potential of these constellations lies in pairing satellite links with cloud platforms and AI, enabling resilience, automation, and real-time data exchange. Companies and governments are racing to deploy hundreds or thousands of satellites for broadband, Earth observation, and positioning, expanding coverage, lowering latency, and unlocking new applications.

In the United States, policy largely leaves commercially-viable constellations to the market. The aims are to avoid subsidy-driven distortions, to focus public budgets on less-mature technologies (lunar missions, in-orbit stations), and to harness competition to drive efficiency. Starlink spearheads LEO expansion and—through spectrum acquisitions and partnerships with mobile operators—is preparing direct-to-device services. Apple's multiyear investment in Globalstar similarly shows how tech firms are knitting satellite capability into consumer devices and services, without heavy public subsidies. Beyond connectivity, initiatives such as digital-twin platforms that combine optical and radar data with AI, point to a much richer downstream.

In Europe, by contrast, the public sector retains the preeminent role. ESA's geo-return rules spread contracts across member states in line with their contributions to the agency, and aim to anchor industrial capacity, while integrating space with advanced digital platforms. To safeguard strategic autonomy, Europe is fielding its own responses: Project Bromo (Leonardo–Thales–Airbus), the OneWeb–Eutelsat merger, and the IRIS² secure-connectivity program. Designed as a competitive public-private partnership, IRIS² seeks resilient European infrastructures and open industrial competition. Yet slow timelines—if full capability arrives only around 2030—risk eroding competitiveness relative to faster-moving U.S. and Chinese constellations.

With the International Space Station slated to retire by 2031, the U.S. is shifting from operator to facilitator, supporting private stations (Axiom, Nanoracks, Voyager) that harness microgravity for R&D in pharmaceuticals, materials, energy, construction, and agri-tech. These platforms also embed digital infrastructure directly in orbit. Axiom's planned AxODC node targets high-performance storage, in-orbit machine learning, and autonomous decision-making. Voyager's Space Edge™ proposes a multi-cloud region in space that will process data far faster than traditional satellite-to-ground workflows. Together, they signal the rise of orbital cloud computing that will reduce latency and dependence on terrestrial backbones, while opening up new markets for governments and industry.

The commercialization of space is inseparable from its digital integration. LEO constellations, AI-enabled services, and commercial stations are creating hybrid infrastructures that blend aerospace with information technology. Competition now unfolds on multiple levels: between states, between states and firms, and between space companies and digital-native giants entering connectivity and cloud markets. For Europe, the strategic priority is to foster real competition and avoid oligopolies or vendor lock-in that could compromise autonomy and bargaining power.

At the same time, innovation will hinge on 'coopetition': rivalry paired with collaboration between governments, incumbents, startups, and big tech. Striking that balance will shape business models and public policy and, ultimately, the geopolitical leverage and resilience of the orbital economy in the decade ahead.

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Digital Sovereignty in an Era of Geopolitical Fragmentation

by **Sameer Patil**

In a period marked by spiraling geopolitical fragmentation and geoeconomic turbulence, global competition and conflict over technology have also intensified. As the second Trump administration raises the stakes, seeking to undercut Beijing's expanding tech lead, a growing number of countries are adjusting and adapting to these emerging dynamics between the United States and China. These countries are pursuing digital sovereignty and safeguarding their national interests, in an effort to turn away from the zero-sum game of the U.S.-China tech rivalry.

This quest for digital sovereignty is manifesting in a number of ways, including a push for data localization, an emphasis on sovereign artificial intelligence (AI), and the development of state-backed digital public infrastructure (DPI). Additionally, like-minded partners are collaborating to pool resources for the

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development of specific critical and emerging technologies. These concerted efforts aim to reduce dependence on foreign technology, and strengthen the domestic innovation ecosystem[1]. A successful implementation of these initiatives will ensure autonomy of critical national digital infrastructure, rather than its monopolization by well-endowed tech powers or foreign tech giants. However, these respective national efforts also risk deepening the fault lines of the global tech landscape, posing a challenge to global tech cooperation.

Weaponization of Tech Dependencies

The primary driver of the pursuit of digital sovereignty has been the intensified tech competition between the United States and China. Between 2020 and 2024, under President Joe Biden, the U.S. adopted the 'small yard, high fence' strategy to prevent China from benefiting from the advanced technologies developed by the U.S.[2]. The second Trump administration has tightened the screws further by introducing additional measures, with a focus on stricter export controls and enhanced monitoring of end-user compliance. These measures cover not only major chip manufacturing systems but also critical sub-components and high-bandwidth memory. For instance, the AI Diffusion Framework, announced in January 2025, seeks to regulate the export of U.S.-developed AI systems[3]. Likewise, in March 2025, the U.S. blacklisted several Chinese entities, stopping them from accessing U.S.-made semiconductors and other associated technologies[4]. In addition, U.S. officials have reportedly embedded location trackers in sensitive technologies to monitor their actual deployment locations[5].

However, Beijing is also not sitting quietly. It has responded by leveraging its monopoly on supply and processing of rare earths. In April 2025, it imposed export restrictions on medium- and heavy-rare-earth elements and added U.S. entities to its export control list, prohibiting them from receiving dual-use goods[6]. These measures add to the several retaliatory measures that China has implemented over the last few years. Moreover, under its Digital Silk Road strategy (which incidentally marks its tenth anniversary in 2025), China has continued to capture markets in the Indo-Pacific, Africa, and Latin America by exporting telecom equipment, AI-enabled surveillance applications, and cloud computing[7].

This weaponization of supply chains and tech dependencies has exposed a critical vulnerability for many countries, sparking concerns about vulnerability to coercion. This has prompted them to seek tech autonomy and derisk—if not decouple—from vulnerable supply chains, focusing on creating domestic capabilities.

Seeking Greater Leverage Over Tech

Amidst this geo-technological flux, digital sovereignty has emerged as an evolving strategy for several countries that want to exercise greater control over their technological transitions. The term refers to "*the need for control over the physical layer (infrastructure, technology), the code layer (standards, rules and design) and the data layer (ownership, flows and use)*"[8]. The pursuit of digital sovereignty not only reflects the strategic priorities of each country, but also demonstrates their diverse technological capabilities, financial capacities, and regulatory environments. Notably, this quest is limited not just to the countries of the Global South—the emerging digital powers—but also to the digitally advanced part of the Global North. European leaders, for instance, have repeatedly emphasized the idea of a 'digitally sovereign Europe' that can increase the continent's technological capacity and reinforce its ability to promote its values and rules[9].

In the Indo-Pacific, the trend towards digital sovereignty has been noticeable over the last few years, particularly since the COVID-19 pandemic, which triggered apprehension over supply-chain vulnerabilities, and the imperative for diversification strategies[10]. India was one of the first major powers to formulate this approach through its 'Atmanirbhar Bharat' initiative, which aimed to position the country at the forefront in critical domains such as semiconductors, AI, cybersecurity, and deep tech[11]. India has implemented several flagship programs in the last few years working toward tech self-reliance, including the Production-Linked Incentive Scheme, India Semiconductor Mission, IndiaAI Mission, and National Quantum Mission[12]. India's remarkable success in building its own DPI through IndiaStack has already been noted as a pioneering step toward tech autonomy and digital sovereignty[13]. Moreover, it is also serving as a blueprint for other countries that are keen to leverage DPI for their national needs.

Several Southeast Asian countries are also building their own local cloud and fintech ecosystems to escape the vulnerability associated with external dependency. Indonesia, for instance, is planning to roll out a 'sovereign AI fund' to fund the country's push to build its own AI systems[14]. Similarly, in September 2024, the Vietnamese government introduced the draft Personal Data Protection Law, which proposes restrictions on the transfer of 'core' data outside Vietnam[15]. Even advanced tech powers, such as Japan and South Korea, are attempting to insulate themselves from U.S.-China tech and trade frictions by investing in local innovation and R&D in semiconductor, DPI, and AI systems[16]. In August 2025, Seoul selected five local companies, including Naver and LG, to build sovereign foundational AI models[17].

These approaches indicate a clear trend towards national control over digital infrastructure and data. They demonstrate that countries are adopting multifaceted strategies to foster sovereign tech capabilities that will help protect their interests amidst the evolving geopolitical dynamics. However, these efforts are not just solitary. Several mini-lateral groupings, such as the Quad (U.S., India, Japan, Australia), Chip 4 alliance (U.S., Japan, South Korea, Taiwan), and Minerals Security Partnership, are cultivating trusted partnerships that are contributing to the technological resilience of the partnering states.

The Path Ahead

The evolving patchwork of initiatives that countries are pursuing to realize digital sovereignty is indeed helping them to maximize national agency, build resilience, and exercise leverage over their technological transition processes. Yet, given the state of geopolitical polarization and United Nations-led multilateral cooperation, the pursuit of tech autonomy and digital sovereignty is likely to result in divergent tech standards, platforms, and data-governance models.

This can potentially further weaken the global multilateral consensus, notwithstanding the ineffectiveness of the UN system in offering a path forward for substantive tech cooperation. It will contribute to the further fragmentation of the global tech landscape. Such a 'tragedy of the commons' scenario is not inevitable. However, to prevent it from becoming a reality, countries pursuing digital sovereignty will need to be pragmatic in balancing national interests and the global good, ensuring meaningful agency for themselves in determining their tech trajectory, while also safeguarding global stability.

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Wiring Cooperation into the Digital Transition: Managing Fragmentation and Building Sovereignty

by **Claudia Schettini**

A Fractured Digital Order

The digital transition is unfolding within a global order increasingly marked by **regulatory fragmentation**. The European Union has opted for a right-based approach, epitomized by the **GDPR**, the **Data Act**, and the newly adopted **AI Act**, seeking to set global standards for trustworthy technology. The United States has chosen a different route, relying largely on voluntary frameworks such as the **NIST AI Risk Management Framework**, while China has adopted a securitized model, embedding control over data and infrastructure into its **Personal Information Protection Law (PIPL)** and **Data Security Law**.

These three poles represent not only different philosophies—rights, markets, and security—but also competing geopolitical ambitions. The EU leverages its market power to export standards, the U.S. privileges flexibility and

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innovation speed, and China seeks to entrench state sovereignty by binding infrastructures to its national-security framework. For countries outside these centers, navigating incompatible models is increasingly costly, with firms facing redundant audits, conflicting obligations, and legal uncertainty.

Digital Sovereignty in a Fragmented Landscape

This divergence has intensified global debates on **digital sovereignty**. The EU's push for strategic autonomy, the U.S.'s defense of its innovation-driven model, and China's securitized vision all project influence beyond their borders, leaving smaller economies to choose between—or reconcile—them. India illustrates this balancing act: its **Digital Personal Data Protection Act** aligns with global practices but faces challenges in bridging European and U.S. standards. At the same time, India's **Digital Public Infrastructure**—Aadhaar, UPI, DigiLocker—has become a template for "sovereignty through openness." Africa faces a similar dilemma, yet the African Union's **Data Policy Framework** and the **Smart Africa Alliance** are harmonizing laws and piloting cross-border data corridors to strengthen bargaining power. Sovereignty is thus less about decoupling and more about autonomous choices in an interconnected environment, achievable only through cooperation.

Why Fragmentation is Costly

Fragmentation imposes **significant costs**. Diverging standards create uncertainty, raise compliance expenses, and hinder innovation, particularly for SMEs. Localization rules, intended to safeguard sovereignty, can isolate domestic actors from global supply chains. For governments, fragmentation erodes trust, while scholars warn that overlapping norms create a "regime complex," leaving global public goods—such as AI safety and cyber resilience—under-governed.

Building Bridges: Emerging Interfaces

Despite divides, bridges are emerging. The **OECD AI Principles** and **UNESCO's Recommendation on AI Ethics** provide shared baselines. **ISO/IEC 42001** and the **NIST AI RMF** translate across regimes, while the **Council of Europe's AI Convention** establishes a global baseline of rights. Multilateral fora such as the G7 Hiroshima Process and the 2024 UN General Assembly Resolution add political legitimacy. Concrete initiatives confirm that sovereignty and cooperation can reinforce each other: the EU–US **Data Privacy Framework** restored data flows; India's **DPI** is being piloted in Africa with European support; and the **Smart Africa Alliance** has reduced fragmentation through harmonization. Cooperation on election security and AI assurance further demonstrates that sovereignty can be safeguarded through shared standards.

A Trilateral Opportunity and Policy Directions

Europe, India, and Africa possess complementary strengths: regulatory depth, scalable innovation, and emerging harmonization. **Interoperable AI governance** can be advanced by mapping frameworks across regions; trusted data flows can be supported through sectoral corridors; and joint investments in DPI can prevent monopolistic lock-in. To translate these opportunities into practice, policymakers should develop interoperability toolkits, consolidate cooperation on AI assurance through a Trilateral Forum, renew the WTO moratorium on digital tariffs, encourage wider accession to the Council of Europe AI Convention, and fund DPI pilots in Africa that embed privacy-by-design.

Conclusion

The divergence between the United States, the EU, and China has created a **fragmented digital order** that erodes trust. Yet it has also spurred debates on sovereignty, prompting India and Africa to combine autonomy with openness. Today, sovereignty is less about isolation and more about agency within interdependence. By investing in **interoperable governance**—anchored in rights, translated through standards, and tested through cooperative projects—these regions can ensure that the digital transition strengthens sovereignty while mitigating fragmentation.

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